Stock Code: 4105

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

Annual Report
2015

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：Senior Vice President & Special Assistant of Chairman
Tel：+886-2-2652-5999#2300
E-mail：suetien@tty.com.tw

2. Deputy Spokesperson

Name：Chang,Kuo-Chiang
Title：CFO
Tel：+886-2-2652-5999#2339
E-mail：Kuochiang_Chang@tty.com.tw

Name：Chen,Rui-Fen
Title：Secretary of Chairman
Tel：(02)2652-5999#2120
E-mail：Gloria_Chen@tty.com.tw

3. Head Office

Add：3F., No.3-1, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)
Tel：+886-2-2652-5999

4. Taipei Branch

Add：3F-1, No.3-1, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)
Tel：+886--2-2655-7118

5. Chungli Factory

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

6. Lioudu Factory

Add：No.5, Gongjian W. Rd., Qidu Dist., Keelung City 206, Taiwan (R.O.C.)
Tel：+886--2-2451-2466

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
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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,

We would like to take this opportunity to thank our shareholders for their continued support and loyalty. TTY Biopharm achieved several milestones in 2015. Due to the joint efforts of the management team and all staff members, the company made great strides toward its strategic direction and goals. The profitability of the company has been greatly increased due to several factors including the constantly rising sales volume, acquisition of pharmaceutical certifications, meticulous assessment of R&D targets to balance long- and short-term demands, stable supply from international OEM manufacturers, and effective cost control and management. In addition, the company also adjusted its joint venture layout and disposed of several joint ventures in Mainland China. The investment targets will be aimed toward international cooperation in the future with the goal of ensuring constant progress toward internationalization of the company and broadening of its scope.

<u>The Company's Business Result for 2015</u>

(1) Business Plan Implementation Result

The Company's consolidated net business revenue for 2015 rises to NTD3,195,218,000, an increase amount of NTD215,316,000 (7.23%) on NTD2,979,902,000 of 2013. This rise of the revenue is mainly due to the increased OEM business in 2015. Net profit attributed to the parent company for 2015 is NTD1,211,018,000 ,an increase amount of NTD431,373,000 (55.33%) on NTD779,645,000 of 2014. This is mainly due to the increased OEM sales , anti-infective medicine sales as well as enhanced cost/expense management.

(2) Budget Implementation Status

The Company's net business revenue for 2015 is NTD2,738,956,000, achieving 98.15% of annual budget target. Pre-tax net profit is NTD1,447,740,000, achieving 166.97% of annual budget target.

(3) Income & Expenditure and Profitability Analysis

Item \ Year		2015	2014
Income & Expenditure	Interest Income(in 000s)	2,767	2,190
	Interest Expenditure (in 000s)	25,467	19,831
Profitability Analysis	Return of Asset %	16.14	11.63
	Return on Equity %	26.05	19.32
	Net Profit Margin %	44.21	32.70
	Earnings Per Share (NTD)	4.87	3.14

(4) Research & Development Status

The Company's medicine development result for 2015 is summarized as follows:

January, 2015 "Pexeda Injection" obtained Taiwan drug approval.
January, 2015 "Tynen Injection" obtained Malaysia drug approval.
August, 2015 "Folina Tablets 15MG" obtained Malaysia drug approval.
October, 2015 "Fupadine Injection 50mg/ml" obtained Taiwan drug approval.
December, 2015 "Tynen Injection" obtained Vietnam drug approval.

Business Plan Summary for This Year (2016)

(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 2016, the Company is expected to sell 374,000,000 tablets of oral preparation and 3,100,000 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-challenges 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

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.

To prepare for the above challenges, to overcome the limited economy scale resulted from small size of internal market and to compete with global pharmaceutical firms, Taiwanese pharmaceutical industry should focus on a few areas: new drug development, international marketing, new formulation drug development and patent protection.

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.

Chairman of the Board: Hsiao, Ying-Chun

General Manager: Hsiao, Ying-Chun

Accounting Officer: Wang, Shu-Wen

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

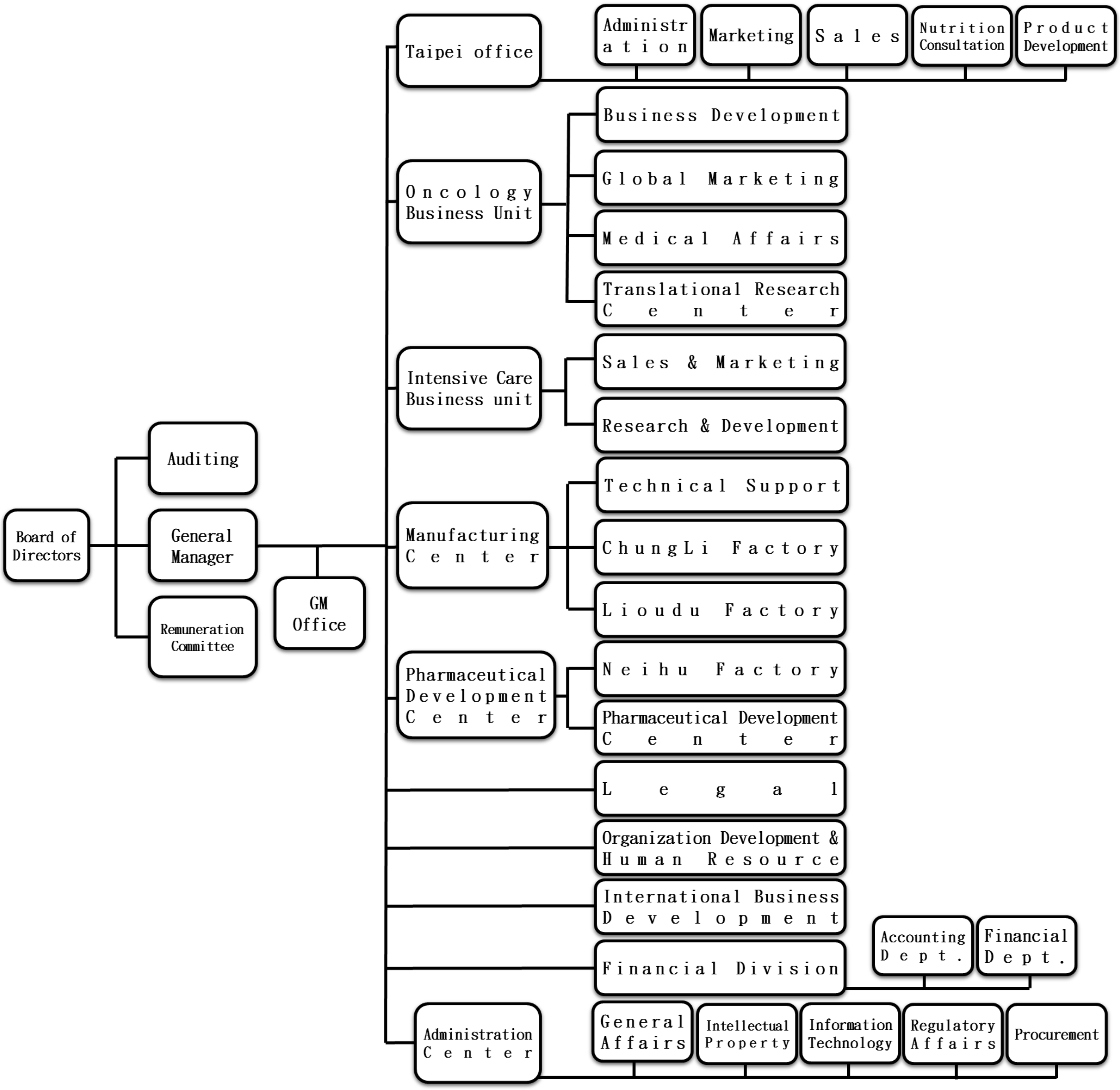
2011	· Establishment of a local office in Hanoi, Vietnam · Lipo-Dox is honored with the 2011Biotechnology Award for best technology commercialization · Lipo-Dox is honored with the 2011 National Invention and Creation Award- Silver Medal Award · Award in the industry category at the 7th Nano Elite Awards 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

III. Corporate Governance Report

1. Organization

(1) Organization

Organization Chart



(2) Department Functions

Department	Segregation of duties
CEO’s Office	Oversee operation from macro-perspectives
Internal 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
Formula R&D Division	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。
General Administration Division	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.
Finance Department	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。
OD&HR	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。
Taipei Office	In charge of Taipei office’s sales and marketing 。
International Business Development	In charge of oversea company’s operation including strategic alliance, new venture evaluation, merger and acquisition。

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

(1) Directors and Supervisors' Information:

Apr 26, 2016

Title	Name	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.	2014.6.24	3 years	1995.7.24	19,798,250	8.50	20,624,732	8.29	0	0	0	0	BS., School of Pharmacy, Taipei Medical University	【Note 3】
	Representative: Hsiao, Ying-Chun						4,042,524	1.63	0	0	0	0		
Vice Chairman	Chang, Wen-Hwa	2014.6.24	3 years	1995.7.24	3,108,338	1.33	3,660,941	1.47	0	0	0	0	MBA of Manmos College	【Note 3】
Director	Tseng, Tien-Szu	2014.6.24	3 years	2014.6.24	3,136	0	3,346	0	50,000	0.02	0	0	MS., MBA Program, College of Management, National Taiwan University MS, Graduate Program, Department of Diplomacy, National Chengchi University	【Note 3】
Director	Lin Chuan 【Note 1】	2014.6.24	3 years	2011.6.9	0	0	0	0	0	0	0	0	Ph.D., Economics, University of Illinois at Urbana-Champaign, USA	【Note 1】
Director	Oushi Foods Company Limited	2014.6.24	3 years	2008.6.19	2,188,328	0.94	1,333,945	0.54	0	0	0	0	Honorary Doctor, Taipei Medical University BS., School of Pharmacy, Taipei Medical University	【Note 3】
	Representative: Lin, Jung-Chin						198,834	0.08	80	0	0	0		

Title	Name	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	%		
Supervisor	Chang, Hsiu-Chi	2014.6.24	3 years	2008.6.19	2,009,078	0.86	2,143,686	0.86	2,927,062	1.18	0	0	EMBA, National Taiwan University College of Managerment BS., School of Pharmacy, Taipei Medical University	【Note 3】
Supervisor	Chen, Chun-Hong【Note 2】	2014.6.24	3 years	2014.6.24	0	0	0	0	0	0	0	0	BS., McAfee School of Business Administration, Union University	【Note 2】
Supervisor	Liao, Ying-Ying	2014.6.24	3 years	2014.6.24	0	0	0	0	0	0	0	0	MBA, University of Missouri, USA	【Note 3】

Note 1：Director Lin Chuan resigned on May 13, 2016.

Note 2：Supervisor Chen, Chun-Hong resigned on Aug. 28, 2015.

Note 3：Current Positions at TTY and Other Company as below:

Title	Name	Current Positions at TTY and Other Company	
Chairman	Dawan Technology Company Limited Representative： Hsiao, Ying-Chun	Chairman Director Director Chairman Director Director Chairman	Xudonghaipu International Company Limited American Taiwan Biopharm Company Limited American Taiwan Biopharm Philippines Inc. Worldco International Limited WorldCo Biotech Pharmaceutical Technology(Beijing) Limited TSH Biopharm Company Limited Dawan Technology Company Limited
Vice Chairman	Chang, Wen-Hwa	Director Director Director Director Director Director Director	Xudonghaipu International Company Limited American Taiwan Biopharma Philippines Inc. Worldco International Limited WorldCo Biotech Pharmaceutical Technology(Beijing) Limited TSH Biopharm Company Limited Arich Investment Company Limited CY Biotech Company Limited
Director	Tseng, Tien-Szu	Director Director Chairman Vice Chairman and General Manager Director 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

Title	Name	Current Positions at TTY and Other Company	
Director	Oushi Foods Company Limited Representative: Lin, Jung-Chin	Chairman	Center Laboratory Inc.
		Chairman	Bioengine Management Consulting Inc.
		Chairman	Bioengine Capital Inc.
		Director	Glory Biotech Company Limited
		Executive Director	Ausnutria Dairy Corporation Limited
		Chairman	Univision Pharmaceutical Company Limited
		Chairman	Oushi Foods Company Limited
		Chairman	TOT Biopharm International Company Limited. (HK)
		Chairman	TOT Biopharm Company Limited（Suzhou）
		Director	Shengyang Biopharm (Hong Kong) Limited
		Director	TOT Shanghai R and D Center Company Limited
		Director	Jiangsu Tungyang Biopharm Tech Company Limited
		Chairman	TOT Biopharm Company Limited
		Chairman	Shanghai Xudong Haipu Pharmaceutical Company Limited
		Director	Shanghai Xudong Haipu Pharmaceutical Company Limited Jiading Factory
		Chairman	Suzhou Cheng-Ji Pharmaceutical Company Limited
		Chairman	O’LONG Enterprises Limited (B.V.I)
		Chairman	PharmaCenter INT’L Company Limited
		Chairman	Centerlab Investmnent Holding Limited
		Director	Xudonghaipu International Company Limited
		Director	WorldCo Biotech Pharmaceutical Technology(Beijing) Limited.
		Director	Worldco International Limited
		Chairman	Chengdu Shuyu Pharmaceutical Company Limited
		Director	iXensor Company Limited.
		Director	MEM Dental Technology Company Limited
		Director	BRIM Biotech
		Director	iXensor,Inc.
		Director	M-Venture Investment Inc.
		Partner	TransPacific Medtech Fund L.P Limited
		Supervisor	TSH Biopharm Company Limited

Title	Name	Current Positions at TTY and Other Company	
Supervisor	Chang, Hsiu-Chi	Director	AnnJi Pharmaceutical Company Limited
		Director and General Manager	Purzer Pharmaceutical Company Limited
		Director	Ku Pao Biotech Company Limited
		Director	Nung Pao Biotech Company Limited
		Director	Sheng Rong Biotech Company Limited
		Director	TheVax Genetics Vaccine Company Limited
		Director	HealthBanks Biotech Company Limited
		Chairman	Yuan-Hwa Biotechnology Enterprise Company Limited
		Director	Reber Genetics Company Limited
		Director	Chi Chun Consulting Management Company Limited
		Director	Stemgen Biotech Holding Limited
		Director	Asiacord Biotech(BVI) Company Limited
		Chairman	Yuen Hung Investment Company Limited
		Director	KamZea Corp., Limited
		Director	TOP HORIZON Company Limited
		Director	Aaxter International Limited
		Director	RueiJi Pharmaceutical Company Limited
		Director	Bio HK Limited
Supervisor	Liao, Ying-Ying	Director	cnYES.com Company Limited
		Director	Evenstar Capital Limited

Major Shareholders of Institutional Shareholders

Apr 26, 2016

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)
Oushi Foods Company Limited	Lirong Technology Company Limited（92.31%）,Jia-Xuan Technology Company Limited（7.67%）,Lin,Jung-Chin（0.02%）

Principal Shareholder of Corporate Shareholders with a Juridical Person as its Main Shareholder

Apr 26, 2016

Company	Name of Major Shareholders
Lirong Technology Company Limited	Jia-Xuan Technology Company Limited（75.22%）,Ou, Li-Zhu（16.90%）,Lin, Jung-Chin（7.86%）,Lin, Wei-Xuan (0.01%),Lin, Hong-Xuan (0.01%)
Jia-Xuan Technology Company Limited	Lin, Hong-Xuan（40.71%）,Lin,Jia-Ling（29.50%）,Lin,Wei-Xuan（29.19%）,Ou, Li-Zhu（0.31%）,Lin, Jung-Chin（0.29%）

Professionalism and Independence of Directors and Supervisors

Apr26, 2016

Qualification / Name (Note 1)	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
Oushi Foods Company Limited Representative: Lin, Jung-Chin	-	-	✓	✓	-	✓	✓	✓	-	✓	✓	✓	-	None
Tseng, Tien-Szu	-	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	None
Lin Chuan (Note3)	✓	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen, Chun-Hong (Note 4)	-	-	✓	✓	-	✓	✓	✓	-	✓	✓	✓	✓	None
Liao, Ying-Ying	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chang, Hsiu-Chi	-	-	✓	✓	✓	-	-	✓	✓	✓	✓	✓	✓	None

Note 1: The number of columns is adjusted depending on the actual needs.

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）Neither a director/supervisor of the Company nor the affiliated company (unless he/she serves as an independent director of the Company/parent company of the Company or an independent director of a subsidiary of the Company with more than 50% shareholding).

（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.

Note 3：Director Lin Chuan resigned on May 13, 2016.

Note 4：Supervisor Chen, Chun-Hong resigned on Aug. 28, 2015.

(2) Information of Management Team

Apr 26, 2016

Title	Name	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	%		
Chairman and General Mamager	Hsiao, Ying-Chun	2014.06.24	4,042,524	1.63	0	0	0	0	BS., School of Pharmacy, Taipei Medical University	【Note】
Vice General Mamager	Wu, Hsueh-Liu	1995.02.06	342,127	0.14	306,573	0.12	0	0	BS, Departmentof Banking and Insurance, Chihlee College of Business	【Note】
Vice General Mamager	Wu, Yong-Liang	1989.01.01	2,085	0	0	0	0	0	BS., School of Pharmacy, Taipei Medical University	【Note】
Vice General Mamager,Manufacturing Center	Liu, Chih-Ping	2001.02.01	0	0	0	0	0	0	MBA, University of Leicester,UK	None
Vice General Mamager,Pharmaceutical Development Center	Hu, Yu-Fang	2003.12.01	6,607	0	813	0	0	0	PhD., Graduate Programsof College of Pharmacy and Health Sciences, ST.John's University	None
Senior Vice President, Administration Center	Chang , Chih-Meng	2002.05.14	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	2006.01.11	0	0	0	0	0	0	University of Leicester MBA	None
Senior Vice President, Oncology Business Unit	Yang, Si-Yuan	2009.05.01	403	0	154	0	0	0	MS, Institude of Pharmacology, National Yang-Ming University	None
Senior Vice President, Oncology Business Unit	Shi, Jun-Liang	2013.04.01	0	0	0	0	0	0	BS., School of Pharmacy, Taipei Medical University	None
Senior Vice President, Intensive Care Business unit	Qu, Zhi-Yuan	2013.04.01	0	0	0	0	0	0	BS, Department of Business Administration, Chungyu Institute of Technology	None
Vice President, Pharmaceutical Development Center	Cai, Shi-Hua	2013.04.01	5,000	0	0	0	0	0	PhD.,Department of Biological Science and Technology, National Chiao Tung University	None

Title	Name	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	%		
Head of Lioudu Factory	Xu, Jian-Yu	2013.04.01	0	0	0	0	0	0	BS., School of Pharmacy, Taipei Medical University	None
Vice President, Legal	Lin, Jin-Rong	2014.11.01	0	0	0	0	0	0	MS, Undergraduate Program,Department of Law, National Chung Hsing University MS, Undergraduate Program, Departmwnt of Law, University of Washington, USA	None
Vice President, Chungli Factory	Xie, Cong-Yong	2015.01.01	0	0	27,283	0.01	0	0	BS., Departmewnt of Aquaculture, National Taiwan Ocean University	None
Vice President, Taipei office	Jian, Chong-Guang	2015.05.11	0	0	0	0	0	0	BS., Department of Business Administration, Tamkang University	None
Vice President, Manufacturing Center	Huang, Yao-Kun	2015.11.02	0	0	0	0	0	0	MS., Undergraduate Program,Department of Chemical Engineering and Materials Science, Yuan Ze University	None
Vice President, Auditung	Wu, Wen-Hua	2015.10.01	36,000	0.01	3,524	0	0	0	MS. Department of Industrial Management, National Taiwan University of Science and Technology	None
Senior Vice President and Financial Officer, Financial Division,	Chang , Kuo-Chiang	2015.12.31	0	0	0	0	0	0	MS.,College of Management, National Taiwan University	None
Accounting Officer	Wang, Shu-Wen	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 TTY and Other Company	
Chairman and General Mamager	Hsiao, Ying-Chun	Chairman Director Director Chairman Director Director Chairman	Xudonghaipu International Company Limited American Taiwan Biopharm Company Limited American Taiwan Biopharm Philippines Inc. Worldco International Limited WorldCo Biotech Pharmaceutical Technology(Beijing) Limited. TSH Biopharm Company Limited Dawan Technology Company Limited
Vice General Mamager	Wu, Hsueh-Liu	Director Director Director Director Director Chairman	Xudonghaipu International Company Limited American Taiwan Biopharm Company Limited American Taiwan Biopharm Philippines Inc. Gligio International Limited Worldco International Limited WorldCo Biotech Pharmaceutical Technology(Beijing) Limited.
Vice General Mamager	Wu, Yong-Liang	Supervisor	Dawan Technology Company Limited.
Senior Vice President, Administration Center	Chang , Chih-Meng	Director	American Taiwan Biopharm Philippines Inc.

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

Payment of Remuneration to Director

Unit: NT$ Thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus to Directors (C)</th><th colspan="2">Allowances (D)</th></tr>
<tr><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th></tr>
<tr><td>Chairman and General Manager</td><td>Dawan Technology Co., Ltd. Representative：Hsiao, Ying-Chun</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">14,479</td><td rowspan="5">14,479</td><td rowspan="5">112</td><td rowspan="5">148</td><td rowspan="5">1.20</td><td rowspan="5">1.21</td></tr>
<tr><td>Vice Chairman</td><td>Chang, Wen-Hwa</td></tr>
<tr><td>Director</td><td>Tseng, Tien-Szu</td></tr>
<tr><td>Director</td><td>Lin Chuan</td></tr>
<tr><td>Director</td><td>Oushi Foods Company Limited Representative: Lin, Jung-Chin</td></tr>
</table>

Unit: NT$ Thousand

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="12">Relevant Remuneration Received by Directors Who are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)</th><th rowspan="4">Remuneration from the Reinvested Companies other than the Company’s Subsidiaries</th></tr>
<tr><th colspan="2">Salary, Bonuses, and Allowances (E)</th><th colspan="2">Severance Pay (F)</th><th colspan="4">Profit Sharing- Employee Bonus (G)</th><th colspan="2">Exercisable Employee Stock Options (H)</th><th colspan="2">New Restricted Employee Shares (I)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements</th><th colspan="2">The company</th><th colspan="2">All Companies in the Consolidated Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman and General Manager</td><td>Dawan Technology Company Limited Representative：Hsiao, Ying-Chun</td><td rowspan="5">4,260</td><td rowspan="5">4,260</td><td rowspan="5">108</td><td rowspan="5">108</td><td rowspan="5">500</td><td rowspan="5">0</td><td rowspan="5">500</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">1.61</td><td rowspan="5">1.61</td><td rowspan="5">478</td></tr>
<tr><td>Vice Chairman</td><td>Chang, Wen-Hwa</td></tr>
<tr><td>Director</td><td>Tseng, Tien-Szu</td></tr>
<tr><td>Director</td><td>Lin Chuan</td></tr>
<tr><td>Director</td><td>Oushi Foods Company Limited Representative: Lin, Jung-Chin</td></tr>
</table>

Remuneration Bracket

Compensation Paid to each Director	Name of Directors			
	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				
NT$2,000,000 ~ NT$5,000,000	Chang, Wen-Hwa/Lin Chuan/ Dawan Technology Company Limited Representative: Hsiao, Ying-Chun / Oushi Foods Company Limited Representative: Lin, Jung-Chin	Chang, Wen-Hwa/Lin Chuan/ Dawan Technology Company Limited Representative: Hsiao, Ying-Chun / Oushi Foods Company Limited Representative: Lin, Jung-Chin	Chang, Wen-Hwa/Lin Chuan/ Dawan Technology Company Limited Representative: Hsiao, Ying-Chun / Oushi Foods Company Limited Representative: Lin, Jung-Chin	Chang, Wen-Hwa/Lin Chuan/ Dawan Technology Company Limited Representative: Hsiao, Ying-Chun / Oushi Foods Company Limited Representative: Lin, Jung-Chin
NT$5,000,000 ~ NT$10,000,000	Tseng, Tien-Szu	Tseng, Tien-Szu	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	5	5	5	5

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.

Payment of Remuneration to Supervisors

Unit: NT$ Thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="6">Remuneration of Supervisors</th><th colspan="2" rowspan="2">The total of A+B+C / Net Income Ratio (%)</th><th rowspan="3">Remuneration from the Reinvested Companies other than the Company's Subsidiaries</th></tr>
<tr><th colspan="2">Remuneration (A)</th><th colspan="2">Remuneration from the Distribution of Earnings (B)</th><th colspan="2">Expenses for Business Operations(C)</th></tr>
<tr><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th></tr>
<tr><td>Supervisor</td><td>Chang, Hsiu-Chi</td><td>0</td><td>0</td><td>2,632</td><td>2,632</td><td>26</td><td>26</td><td>0.22</td><td>0.22</td><td>25</td></tr>
<tr><td>Supervisor</td><td>Chen, Chun-Hong (Note)</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">4,357</td><td rowspan="2">4,357</td><td rowspan="2">28</td><td rowspan="2">28</td><td rowspan="2">0.36</td><td rowspan="2">0.36</td><td rowspan="2">20</td></tr>
<tr><td>Supervisor</td><td>Liao, Ying-Ying</td></tr>
</table>

Remuneration Bracket

Compensation Paid to each Supervisor	Name of Supervisors	
	The accumulated amount from the above-mentioned three categories (A+B+C)	
	The Company	All Companies in the Consolidated Financial Statements
Less than NT$2,000,000	Chen, Chun-Hong (Note)	Chen, Chun-Hong (Note)
NT$2,000,000 ~ NT$5,000,000	Chang, Hsiu-Chi/Liao, Ying-Ying	Chang, Hsiu-Chi/Liao, Ying-Ying
NT$5,000,000 ~ NT$10,000,000		
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	3	3

Note：Resination on Aug. 28, 2015.

＊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.

Remuneration of General Manager and Vice General Manager

Unit: NT$ Thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance pay and Pension (B)</th><th colspan="2">Bonus and Special Allowance (C)</th><th colspan="4">Employee Bonus Amount from Earnings Distribution (D)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements</th><th colspan="2">The Company</th><th colspan="2">All Companies in the Consolidated Financial Statements</th></tr>
<tr><th>Cash Dividend</th><th>Stock Dividend</th><th>Cash Dividend</th><th>Stock Dividend</th></tr>
<tr><td>General Manager</td><td>Hsiao, Ying-Chun</td><td rowspan="7">15,219</td><td rowspan="7">15,219</td><td rowspan="7">391</td><td rowspan="7">391</td><td rowspan="7">3,292</td><td rowspan="7">3,292</td><td rowspan="7">3,160</td><td rowspan="7">0</td><td rowspan="7">3,160</td><td rowspan="7">0</td></tr>
<tr><td>Vice General Manager</td><td>Wu, Hsueh-Liu</td></tr>
<tr><td>Vice General Manager</td><td>Wu, Yong-Liang</td></tr>
<tr><td>Vice General Manager</td><td>Chen, De-Li (Note 1)</td></tr>
<tr><td>Executive Vice General Manager</td><td>Huang, Chun-Ying (Note 2)</td></tr>
<tr><td>Vice General Manager</td><td>Liu, Chih-Ping</td></tr>
<tr><td>Vice General Manager</td><td>Hu, Yu-Fang</td></tr>
</table>

Title	Name	The total of A+B+C+D / Net Income Ratio (%)		Number and amount of Employee Stock Option Certificates received		Number of Shares with Restricted Rights Received by Employees		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	The Company	All Companies in the Consolidated Financial Statements	
General Mamager	Hsiao, Ying-Chun	1.82	1.82	0	0	0	0	10
Vice General Mamager	Wu, Hsueh-Liu							
Vice General Mamager	Wu, Yong-Liang							
Vice General Mamager	Chen, De-Li (Note 1)							
Executive Vice General Mamager	Huang, Chun-Ying (Note 2)							
Vice General Mamager	Liu, Chih-Ping							
Vice General Mamager	Hu, Yu-Fang							

Remuneration Bracket

The Remuneration Bracket for General Mamager and Vice General Mamager of the Company	Name of General Mamager and Vice General Mamager	
	The Company	All Companies in the Consolidated Financial Statements
Less than NT$2,000,000	Hsiao, Ying-Chun/ Chen, De-Li (Note 1)	Hsiao, Ying-Chun/ Chen, De-Li (Note 1)
NT$2,000,000 ~ NT$5,000,000	Wu, Yong-Liang/Wu, Hsueh-Liu /Liu, Chih-Ping	Wu, Yong-Liang/Wu, Hsueh-Liu /Liu, Chih-Ping
NT$5,000,000 ~ NT$10,000,000	Hu, Yu-Fang / Huang, Chun-Ying (Note 2)	Hu, Yu-Fang / Huang, Chun-Ying (Note2)
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	7	7

Note 1：Resignation on March 30, 2015.

Note 2：Resignation on Dec. 31, 2015.

＊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

Unit: NT$ Thousand

Dec 31, 2015

	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	13,200	13,200	1.09
	Vice General Manager	Wu, Hsueh-Liu				
	Vice General Manager	Wu, Yong-Liang				
	Vice General Manager	Liu, Chih-Ping				
	Vice General Manager	Hu, Yu-Fang				
	Senior Vice President	Chang , Chih-Meng				
	Vice President	Tseng , Chu-Lan				
	Senior Vice President	Yang, Si-Yuan				
	Senior Vice President	Shi, Jun-Liang				
	Senior Vice President	Qu, Zhi-Yuan				
	Vice President	Cai, Shi-Hua				
	Head of Lioudu Factory	Xu, Jian-Yu				
	Vice President	Lin, Jin-Rong				
	Head of Chungli Factory	Xie, Cong-Yong				
	Vice President	Jian, Chong-Guang				
	Vice President	Huang, Yao-Kun				
	Vice President	Wu, Wen-Hua				
	Senior Vice President and Financial Officer	Chang , Kuo-chiang				
	Accounting Officer	Wang, Shu-Wen				

(5) 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 (%)

	2015(%)	2014(%)
The Company	3.43	4.42
All Companies In The Consolidated Financial Statements	3.43	4.51

② Directors and Supervisors: Policies governing remuneration payment are set forth in the articles of incorporation and are subject to ratification by the board of directors.

The Company shall pay remuneration to its directors and supervisors when they perform their duties regardless of surpluses or losses. The board of directors shall be authorized to grant remuneration based on the level of participation in company operations and the value of individual contributions with reference to general industry standards. Surpluses shall be distributed pursuant to the regulations set forth in Article 21.

③ General Manager and Vice General Manager: Policies governing remuneration payment are set forth in the salary determination guidelines of this company. The remuneration for general manager and vice general manager shall include salaries and allowances. Bonuses shall be granted in consideration of business performance and appropriate adjustments shall be made based on future risks.

3. Implementation of Corporate Governance

(1) Information of the Board Function

The meeting of Board of Directors has been held for 14 times in the current year and the attendance status of the directors and supervisors is listed below:

Title	Name	Number of Times Attending in Person	Number of Times Attending by Proxy	Actual Attendance Rates (%)	Remark
Chairman	Dawan Technology Company Limited Representative： Hsiao, Ying-Chun	14	0	100.00	
Vice Chairman	Chang, Wen-Hwa	13	1	92.86	
Director	Lin Chuan	13	1	92.86	
Director	Tseng, Tien-Szu	13	1	92.86	
Director	Oushi Foods Company Limited Representative: Lin, Jung-Chin	3	1	21.43	
Supervisor	Chang, Hsiu-Chi	13	0	92.86	
Supervisor	Liao, Ying-Ying	12	0	85.71	
Supervisor	Chen, Chun-Hong	2	0	20.00	Resigned on August 28, 2015.

Other matters to be disclosed：

1. For the matters described in Article 14.3 of the Securities and Exchange Act and the matters resolved in the Board meeting with the objections or reservations of the independent directors recorded or declared in writing, shall state the date of the Board meeting, the term, the contents of the motions, the opinions of all independent directors, and the Company’s handling the opinions of all independent directors: 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	Motion Content	Reason of Recusal	Participation in Voting
March 25, 2015	Hsiao, Ying-Chun	Appointment of board representatives of affiliated enterprises	Appointed candidate is a direct relative of the chairman	The chairman did not participate in the voting process due to a conflict of interest
July 16, 2015	Hsiao, Ying-Chun	Transactions with related parties/enterprises	The chairman is a board member of the affiliated enterprise	The chairman did not participate in the voting process due to a conflict of interest

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:
   (2) Advanced training courses for directors are scheduled for the purpose of enhancing corporate governance capabilities and optimizing corporate performance.
   (3) 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: The Company has not established the audit committee.

② Supervisors involved in the Board operation.

Attendance of the 14 Board meetings in the most recent year:

Title	Name	Number of Times Attending in Person	Actual Attendance Rates (%)	Remark
Supervisor	Chang, Hsiu-Chi	13	92.86	
Supervisor	Liao, Ying-Ying	12	85.71	
Supervisor	Chen, Chun-Hong	2	20.00	Resigned on August 28, 2015.

Other matters to be disclosed:

1. Composition and responsibilities of supervisors:
   (1) Communication between supervisors and employees and shareholders of the Company (such as, communication channels and methods, etc.): Staff members and shareholders can directly communicate with supervisors when the latter attend board meetings or shareholders' meetings. Information can also be conveyed via stock affairs 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			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	No discrepancies .

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			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.	
(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.	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) The Company has a female board member and all board members have relevant professional experience in commerce, legal affairs, finance, and accounting.	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(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
(3) Does the company develop Board of Directors Performance Assessment Guidelines and Evaluation Method in addition to conduct annual performance assessment		✓	(3) The Company has not yet formulated Board of Directors Performance Assessment Guidelines and Evaluation Method. The necessity of formulation of such guidelines will be reassessed in the future.	No major discrepancies
(4) Does the company routinely assess the independence of attesting CPA?	✓		(4) The independence and qualifications of attesting CPA are reviewed and assessed in accordance with the Guidelines Governing the Selection and Review of CPA. This company has commissioned the CPAs Tseng, Kuo-Yang and Chi, Shi-Qin from KPMG to audit the 2015 financial statement. The independence and qualifications of these two CPAs were verified by the board of directors on March 30, 2016.	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
4. Does the company establish communication channel with the stakeholders, 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
5. 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
6. 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
7. Does the company hold significant information that helps understand the operation of corporate governance (including	✓		(1) Care and equity of Employees The Company has established an employee welfare committee, implements a pension plan,	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
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)?			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 relations in V. Overview of Operations.	
			(2) Investor Relations The Company publicly announces financial, business, and material information on its website and the Market Observation Post System in a prompt fashion in accordance with relevant laws and regulations. It is also invited to participate in investor meetings organized by the Taipei Exchange and security dealers to explain the	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			status of the Company's finances and business operations to investors and give them a better understanding of the development and strategic direction of the Company with the goal of safeguarding the rights and interests of investors and stakeholders and fulfill the Company's responsibility to its 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.	No discrepancies
			(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 interests and handle stakeholder affairs in a proper manner.	No discrepancies
			(5) Advanced study and director analysis.	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			The directors and supervisors of this company participate in relevant advanced training courses in accordance with their professional needs. For more details on advanced training for directors and supervisors in 2015 please refer to chart 1 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.	No discrepancies
			(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.	No discrepancies
			(8) The Company purchased liability insurance for director and monitors. The Company has purchased liability insurance for all its directors and supervisors provided by	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			AIG Taiwan with a total coverage of US$ 3 million for the period from January 13 2016 to January 13, 2017.	
			(9) For more details on advanced corporate governance related training for managers please refer to chart 2 in the appendix	No discrepancies
			(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 3 in the appendix	No discrepancies
8. If the Company has a corporate governance self-assessment report or has commissioned a corporate governance self-assessment report to other professional institutions, it shall state its self-assessment (or outsourcing evaluation) results, major deficiencies (or suggestions) and improvements:	✓		The Company currently has no corporate governance self-assessment report or has any outsourced company governance evaluation reports.	This company received a score of 35% on the second corporate governance evaluation. The implementation of corporate governance will be continued.

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

Chart 1

Advanced Training Received by Directors and Supervisors in 2015

Title	Name	Organizer	Course Name	Hours
Chairman	Hsiao, Ying-Chun	Securities & Futures Institute	Risk management mechanism required for corporate operations	3.0
Chairman	Hsiao, Ying-Chun	Securities & Futures Institute	Corporate merger development trends and practical case studies	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	Director/supervisor shareholding ratios and measures for dividend tax deduction allowance of 50%	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	Risk management mechanism required for corporate operations	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	Corporate merger development trends and practical case studies	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	Corporate governance and securities related laws and regulations	3.0
Director	Lin, Jung-Chin	Taiwan Corporate Governance Association	Corporate governance and securities related laws and regulations	3.0
Director	Lin, Jung-Chin	Securities & Futures Institute	Discussion of board functions at the example of prevention of corporate fraud	3.0
Director	Lin Chuan	Securities & Futures Institute	Direction of recent tax law amendments	3.0
Director	Lin Chuan	Securities & Futures Institute	CSR development in Capital Market & Internal Control update	3.0
Director	Tseng, Tien-Szu	Securities & Futures Institute	Director/supervisor shareholding ratios and measures for dividend tax deduction allowance of 50%	3.0
Director	Tseng, Tien-Szu	Securities & Futures Institute	Obligations of companies and directors/supervisors as prescribed in the Securities Exchange Act and case studies	3.0
Director	Tseng, Tien-Szu	Securities & Futures Institute	Corporate merger development trends and practical case studies	3.0
Supervisor	Chang, Hsiu-Chi	Securities & Futures Institute	Obligations and responsibilities of directors/supervisors as prescribed in the Securities Exchange Act	3.0
Supervisor	Chang, Hsiu-Chi	Securities & Futures Institute	Execution of duties by directors and supervisors of TWSE/GTSM Listed Companies	3.0
Supervisor	Liao, Ying-Ying	Securities & Futures Institute	Risk management mechanism required for corporate operations	3.0
Supervisor	Liao, Ying-Ying	Securities & Futures Institute	Corporate merger development trends and practical case studies	3.0
Supervisor	Chen, Chun-Hong	Taiwan Corporate Governance Association	Corporate governance and securities related laws and regulations	3.0
Supervisor	Chen, Chun-Hong	Securities & Futures Institute	Discussion forum on ethical leadership of listed companies	3.0

Item	Operations			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 Managers and Auditors in 2015

Title	Name	Organizer	Course Name	Hours
Chief Audit Executive	Wu, Wen-Hua	Taiwan Institute of Economic Research	Internal audit practices for corporate production/R&D, sales and collection, and procurement and payment cycles	12.0
Auditor	Chu, Qi-Wen	Institute of Internal Auditors	Latest regulations for the composition of financial statements and audit practices for key accounting items	6.0
Auditor	Chu, Qi-Wen	Securities & Futures Institute	Discussion of fraud risks from the perspective of cycle control operations (2)	6.0
Accounting Officer	Wang, Shu-Wen	Accounting Research and Development Foundation	Advanced training for newly appointed accounting managers of issuers, securities firms, and securities exchanges	12.0

Chart 3

Acquisition of Certificates Prescribed by the Competent Authority by Personnel Responsible for Financial Information Transparency

Title	Name	Acquired certificates
Senior project manager	Yang, Mei-Jin	Passing of R.O.C. Accountant Examination
Chief Audit Executive	Wu, Wen-Hwa	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:

<u>The Member of Compensation Committee</u>

Identity (Note 1)	Name	Whether The Person Has Work Experience Over Five Years And Possesses Any Of The Following Qualifications			Conformed to the Requirements of Independence (Note 2)								The Number of Public Companies that the Members Also Serves as Compensation Committee Member	Remark (Note 3)
		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		
Others	Lin, Wen-Cheng	✓			✓	✓	✓	✓	✓	✓	✓	✓	4	
Others	Chen, Yung-Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Others	Chou, Kang-Chi			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Inauguration on August 13, 2015
Others	Cheng, Jen-Wei	✓			✓	✓	✓	✓	✓	✓	✓	✓	0	Resigned on June 30, 2015

Note 1: Please specify the identity of director, independent director, or others.

Note 2: 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 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.

(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.

Note 3: If the Compensation Committee member is a board director, please indicate whether it is in compliance with Article 6 Paragraph 5 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.”

Operation of the Compensation Committee

1. The Company's Compensation Committee is composed of with three members.

2. The tenure for the members of the Compensation Committee is from June 24, 2014 to June 23, 2017. In the most recent year, four 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 (%)	Remark
Convener	Lin, Wen-Cheng	3	0	100%	
Committee member	Cheng, Jen-Wei	2	0	100%	Resigned on June 30, 2015.
Committee member	Chen, Yung-Yu	3	0	100%	
Committee member	Chou, Kang-Chi	0	0	--	Inauguration on August 13, 2015

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：

(1) If any of the Compensation Committee members has resigned before the end of the fiscal year, state the date of resignation in the remark column. The actual attendance rate (%) is based on the number of committee meetings held during the tenure and the actual number of attendance.

(2) 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) The Company has not yet formulated a CSR policy or system, but is fully committed to fulfilling its corporate social responsibility. CSR concepts (e.g., the value of social contributions and conduct expected from employees at work (functions) are clearly stipulated in corporate culture declarations (vision, mission, culture, and values) and relevant training materials (e.g., vision consensus camps, workplace adaptation programs, and performance development plans).	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 routinely organizes training courses (including environmental protection, work safety, hygiene, and fire protection training in addition to regular administration of emergency response drills) and education programs (as specified in item 1 above)	
(3) Does the company establish and promote full-time (part-time) corporate social responsibility department, where the Board of Directors authorize senior management to	✓		(3) The Company promotes full-time (part-time) corporate social responsibility units: The Organizational Development & HR Division (promotion of culture and values), the Cancer Science Development Group	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
process and report to the Board of Directors of the processing? (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?	 ✓		(implementation of treatment and concern activities), R&D/Plants Division (compliance, promotion, and implementation of medical ethics and environmental protection policies), and all business and functional units are fully committed to the promotion of CSR. (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.	
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? (2) Does the company establish proper environmental management system in	 ✓ ✓		 (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. (2) The Company implements the Globally Harmonized System of Classification and Labeling of Chemicals (GHS)	In compliance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
accordance with its characteristics of industry?			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 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 will generate electricity savings of 25% and ensure substantial effects in the field	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			of energy conservation and carbon reduction upon its completion in April 2011. Monthly electricity costs in our plants in 2015 decreased by 15.2% compared to the previous year, which signals an effective reduction of carbon emissions. 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 CO2 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. It is expected that the Company	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			will be awarded the Green Building Mark in 2016.	
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	✓		(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	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
education?			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 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	✓		(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	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
through reasonable means?			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 complete internal training system known as “TTY University” which is divided into five main colleges (R&D, manufacturing, marketing, business, culture) covering professional expertise in R&D, manufacturing, business, marketing, and biotechnology as well as the TTY corporate culture in physical and online courses as part of an integrated academic program. The Company has also made all-out efforts to establish a culture of talent development to train the future leaders of the organization. This includes talent evaluation and development methods and tools and the provision of more diversified career choices and opportunities through exchanges and an integration of the internal expertise and resources of the group.	
(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) The Company has assigned dedicated personnel and set up mailboxes to deal with issues associated with consumer right grievances. Such grievances are processed in a fair and prompt manner.	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(7) Does the company comply with all relevant laws and regulations and international standards for the marketing and labeling of products and services? (8) Does the company evaluate the past records of vendors with impact on the environment and society prior to the business? (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?	✓ ✓	✓	(7) The products and plant facilities of the Company conform to PIC/S GMP. (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) Contracts signed between the Company and the major vendors do currently not include policies on vendor involvement in 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 in case of such violations. The Company will consider adding relevant clauses when new contracts are negotiated in the future if deemed necessary.	
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?	✓		(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	In compliance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			information pertaining to the implementation of relevant activities in the future.	

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 has not yet formulated relevant principles, but will consider execution in accordance with relevant laws and regulations based on actual circumstances.

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) Spontaneous participation of employees in social service activities.

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:

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

Over the course of more than half a century of research and development, TTY Biopharm has gradually established itself as a leader in research and development in various fields including liposome, microsphere, and slow-release formulations with prolonged effect as well as PLGA. The Company has also cooperated with multiple Pharmaceutical R&D Centers in Europe and America in the development of new drugs. TTY owns first PIC/S certified plant of international caliber in Taiwan. Its pharmaceutical products are exported to over 40 countries in 4 different continents (Asia, Europe, the Americas, and Oceania). We focus on the development of special dosage forms and professional capabilities in high-barrier technologies. Plant certifications administered by the EU, US, Japan, and Brazil enabled the Company to turn its plants into high-standard production bases of high-barrier technology products with high output volumes at competitive costs (large batch volume and high production capacity). The Company also provides high-quality CMC documentation and supplies international pharmaceutical plants with the highest quality and specifications at the most competitive costs through the adoption of CDMO/CMO modes.

(1) Certifications passed by Chungli Factory in recent years
- 2011 German and Brazilian official plant certification
- 2012 Taiwanese PIC/S GMP plant certification and official Japanese plant certification
- 2013 Official South African, US, and Japanese plant certification
- 2014 Official Belgian and Turkish plant certifications
- 2015 Official Korean, Kazakhstanian, Taiwanese PIC/S GMP, and Belgian plant certifications
- 2016 Official US plant certification

(2) Certifications passed by Lioudu Factory in recent years
- 2009 Japanese PDMA plant certification
- 2013Japanese Takada plant certification
- 2013 TFDA PIC/S GMP plant certification

(3) Neihu Plant
- 2009 TFDA PIC/S GMP plant certification (lyophilized injection)

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
2010German official plant certification, TFDA PIC/S GMP plant certification (water for injection) 2012 TFDA PIC/S GMP plant certification: lyophilized injection, injection liquid (terminal sterilization) 2015 TFDA PIC/S GMP plant certification: lyophilized injection, injection liquid (terminal sterilization) 2016 TFDA PIC/S GMP plant certification: injection liquid (germ-free preparation) (4) Cancer Translational Center The center passed an audit conducted by the Taiwan Accreditation foundation (TAF) and earned the ISO/IEC 17025:2005 accreditation for testing labs which attests to the fairness, accuracy, and reliability of the test results of the center.				

(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) Integrity governs all core functions of the Company. Starting from the management level all employees are required to fully observe this rule of behavior. (2) The Company organizes educational training for all managers and employees as deemed appropriate to implement ethical management and educates all staff members on the importance of integrity. (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	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	
			violation of relevant regulations in accordance with actual circumstances.	
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?	✓ ✓	 ✓	(1) Prior to engaging in business transactions, the Company evaluates the ethical records of transaction targets. (2) The Company has not yet established a full-time (part-time) organization promoting corporate ethical management. Such a unit may be established in the future if deemed necessary. (3) The Company has also established 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.	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	
(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?	✓		(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.	
(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?		✓	(1) The Company has not yet established a specific reporting and incentive system. The necessity of establishment of such a system will be reassessed in the future.	The reporting and incentive system will be incorporated into the Ethical Corporate Management Best Practice Principles
(2) Does the company develop investigation standard operation process and relevant confidential mechanism for accepting reported matters?		✓	(2) The Company has not yet formulated investigation standards, operating procedures, and relevant confidentiality mechanisms for accepting reported matters. If such standards	

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	
(3) Does the company adopt measures that protect the informer without facing improper treatment due to reporting?		✓	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.	
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 does not yet disclose the content of ethical management practices on the Company website and Market Observation Post System	The disclosure of relevant information will be strengthened upon establishment of the system
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: The Company has not yet formulated relevant principles, but will consider execution in accordance with relevant laws and regulations based on actual circumstances.				

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	
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.				

(7) If Corporate Governance Best-Practice Principles and Related Bylaws Are Adopted By the Company, the Company Should Disclose the Inquiry Methods: None

(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.

(9) Internal Control System Execution Status

1. Statement of Internal Control System

TTY BioPharm Company Limited

Statement of Internal Control System

March 30, 2016

TTY BioPharm Company Limited has conducted a self-check of internal control for the year of 2015. 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 30, 2016 with 4 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 January 08, 2015	1. The Company files a lawsuit against a former manager.
Board of Directors January 16, 2015	1. Modification of review procedures for attesting accounting firms and accountants.
Board of Directors January 26, 2015	1. Appointment procedures for representatives of juridical person directors at joint ventures. 2. Confirmation of matters pertaining to the lawsuit filed by the supervisor on behalf of the Company.
Board of Directors February 25, 2015	1. A subsidiary commissions the Company to provide warehouse management and logistics services for pharmaceuticals. 2. Commissioning of another company to carry out clinical trials. 3. Review by the remuneration committee of the plan to grant bonuses for special contributions by managers in 2014. 4. Review of the 2015 promotion and salary adjustment policies by the remuneration committee. 5. Exclusive authorization of technology transfer and development of a certain technology in cooperation with the National Health Research Institutes.
Board of Directors May 25, 2015	1. Commissioning of the Company by a subsidiary to manufacture pharmaceuticals. 2. Commissioning of the Company by a subsidiary to provide legal services 3. 2014 Business Report and Financial Statement. 4. Review of the compensation for directors/supervisors and employee cash bonus allocation in 2014 by the remuneration committee. 5. Lifting of the ban on participation in competitive business by directors. 6. Date, location, and agenda of the 2015 General Shareholders' Meeting. 7. Formulation of the 2014 Internal Control System Statement. 8. Planned participation in subsidiary cash capita increase. 9. Appointment of director representatives for joint ventures of the Company. 10. Commissioning of the Company by a related party to carry out R&D and

Date and Types of Meetings	Important Resolutions
	trial of pharmaceuticals. 11. Routine transactions between the Company and related parties.
Board of Directors April 15, 2015	1. 2014 surplus distribution proposal. 2. Amendment of the Articles of Incorporation. 3. Addition of proposals for the 2015 General Shareholders' Meeting. 4. Participation in share subscription in the context of cash capital increase of joint ventures. 5. Promotion of Chen, De-Li Senior Vice President of the Critical Care Product Development Group to Vice General Manager. 6. Suggestion of souvenirs for the 2015 General Shareholders' Meeting.
Board of Directors May 13, 2015	1. Report on the Consolidated Financial Statement for Q1 2015. 2. Commissioning of the Company by a subsidiary to manufacture pharmaceuticals. 3. Commissioning of the Company by a joint venture to manufacture pharmaceuticals. 4. Transfer of the domain name registered with Asia Pacific Telecom by the Company to a joint venture.
Board of Directors June 16, 2015	1. Determination of the ex-dividend date and issuance date of cash dividends. 2. Increase of financing lines at financial institutions.
Board of Directors July 16, 2015	1. The Company becomes a distributor and agent for the Multiple Myeloma Drug "Aplidin" produced by the Spanish firm PHARMA MAR S.A. in the Taiwan region. 2. Sale of the total equity held in Taiwan Tungyang International Company Limited through the subsidiary Xudonghaipu Pharmaceutical Company Limited. 3. Planned loan from a subsidiary due to capital transfer. 4. Signing of a Consultancy Service Agreement with a joint venture.
Board of Directors August 13, 2015	1. Report on Consolidated Financial Statement for Q2 2015. 2. Commissioning of a related party by the Company to manufacture pharmaceuticals. 3. Appointment and dismissal of accounting managers. 4. Appointment of a replacement member for the remuneration committee. 5. Review of the compensation for directors/supervisors in 2014 by the remuneration committee. 6. Review of granted employee bonuses and performance-based bonuses for managers in 2014 by the remuneration committee.
Board of Directors October 16, 2015	1. Commissioning of the Company by a subsidiary to conduct trial production and development of products. 2. Renewal of the lease of housing from a related party. 3. Termination of exclusive agency rights of a subsidiary for a certain

Date and Types of Meetings	Important Resolutions
	product of this company in Mainland China and authorization of the chairman to search for a suitable agent for said area.
Board of Directors October 27, 2015	1. Appointment procedures for representatives of juridical person directors at joint ventures. 2. Sale of the total equity held in TOT Biopharm International Company Limited through the subsidiary Xudonghaipu International Company Limited. 3. Commissioning of the Company by a joint venture to provide information services.
Board of Directors November 12, 2015	1. Report on Consolidated Financial Statement for Q3 2015. 2. Formulation of Operating Procedures Governing Applications for Suspension and Resumption of Transactions. 3. Routine Transactions between the Company and related parties. 4. Storage of samples for clinical trials by joint ventures and commissioned research services. 5. Planned sale of the total equity held in TOT Biopharm International Company Limited through the subsidiary Xudonghaipu International Company Limited. 6. Lifting of the ban on participation in competitive business by directors.
Board of Directors December 31, 2015	1. Review of the 2016 budget. 2. Formulation of the Plan to Enhance the Company's Ability to Compose its own Financial Statements. 3. Formulation of the 2016 Internal Audit Plan. 4. Amendment of the internal control system and relevant guidelines. 5. Formulation of the Corporate Governance Principles. 6. Hiring of a CFO and replacement of finance officer. 7. Appointment of an acting spokesperson. 8. Modification of the business scope of a subsidiary. 9. Renewal of the lease of office space from the Company by a joint venture. 10. Provisional seizure of the property of a certain director and compulsory enforcement by the Company as per ruling of the Taipei District Court.
Board of Directors February 17, 2016	1. Amendment of the Articles of Incorporation. 2. Review of the 2016 salary adjustment policy by the remuneration committee. 3. Review of the 2015 Incentive Plan for Special Contributions by the remuneration committee.
Board of Directors March 30, 2016	1. 2015 Employee and Director/Supervisor Compensation Plan. 2. 2015 Business Report and Financial Statement. 3. 2015 Surplus Distribution Proposal.

Date and Types of Meetings	Important Resolutions
	4. Amendment of the Procedures Governing the Handling of Derivative Transactions. 5. Amendment of Subsidiary Management Guidelines. 6. Amendment of the Internal Control System-Other Management Systems and the Internal Audit System. 7. Formulation of the 2015 Internal Control System Statement. 8. Full reelection of the board of directors. 9. Lifting of the ban on participation in competitive business by newly appointed directors and their representatives. 10. Date, location, and agenda of the 2016 General Shareholders' Meeting. 11. Appraisal of attesting accountants in 2015. 12. Appointment of director representatives at joint ventures. 13. Purchase of equipment from joint ventures. 14. Technology transfer services and disbursement of expenses of the Company by joint ventures. 15. Lease of office space from the Company by a joint venture.
Board of Directors April 28, 2016	1. List of nominated independent director candidates. 2. Election of director representatives at joint ventures. 3. Handed out souvenirs at the 2016 General Shareholders' Meeting.
General Shareholders' Meeting June 16, 2015	1. 2014 business report and financial statement. 2. 2014 surplus distribution proposal Surpluses in 2014 were distributed as follows: Directors and supervisors were paid a total of NT$ 14,033,617 in compensations, while employees received a total of NT$ 14,034,000 in cash bonuses. Cash dividends paid to shareholders on August 7, 2015 amounted to NT$621,624,898. 3. Amendment of the Articles of Incorporation. 4. Lifting of the ban on participation in competitive business by directors.

(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, General Manager, 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:

Summary of Resignation/Discharge Over Company Stakeholders

April 30, 2016

Job Title	Name	Date of Employment	Date of Discharge	Reason for Resignation / Discharge
Accounting Officer	Yang, Mei-Jin	October 1, 2013	August 13, 2015	Duty Adjustment
Finance Officer	Chang , Chih-Meng	October 1, 2013	December 31, 2015	Duty Adjustment

Note: Company stakeholders referred hereto shall mean Chairman of the Board, General Manager, Accounting Officer, Finance Officer, Internal Chief Audit Executive and R&D Head.

4. Information on Accountants' Fees

(1) When the Non-Auditing Fee Paid to the Independent Auditors, the CPA Firm, and the Affiliated Companies is More Than One Fourths of the Auditing Fee, Shall Disclose the Amount of Auditing and Non-auditing Fee and the Content of Non-Auditing Services

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	Subtotal		
KPMG Taiwan	Tseng, Kuo-Yang, Chi, Shi-Qin	2,100	—	—	—	—	—	January 1, 2015 | December 31, 2015	Non-auditing fee occurred.

(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

(1) The Predecessor CPA

<table>
<tr><td>Date of change</td><td colspan="5">January 16, 2015 (Date of Board of Directors' Resolution)</td></tr>
<tr><td>Reason for the change and explanation</td><td colspan="5">Needs from Company Operation Management</td></tr>
<tr><td rowspan="3">Is the commission terminated by the principal or the CPA?</td><td colspan="2">Client
Status</td><td colspan="2">CPA</td><td>Commissioner</td></tr>
<tr><td colspan="2">Commission terminated voluntarily</td><td colspan="2"></td><td>✓</td></tr>
<tr><td colspan="2">Commission rejected (not renewed)</td><td colspan="2"></td><td></td></tr>
<tr><td>Independent Auditor's Report with an opinion other than unqualified opinion within two years and the reasons</td><td colspan="5">Due to fact that a portion of investments under equity method are audited by other accounting firm and for the purpose of division of responsibilities, modified unqualified opinion is therefore issued accordingly.</td></tr>
<tr><td rowspan="6">An opinion different from the issuer</td><td rowspan="4">Y</td><td colspan="2">No Such Circumstance</td><td colspan="2">Accounting principle or practice</td></tr>
<tr><td colspan="2">No Such Circumstance</td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td colspan="2">No Such Circumstance</td><td colspan="2">Auditing scope or procedures</td></tr>
<tr><td colspan="2">No Such Circumstance</td><td colspan="2">Others</td></tr>
<tr><td>N</td><td colspan="4">✓</td></tr>
<tr><td colspan="5">Explanation</td></tr>
<tr><td>Other disclosure matters (disclosures required by Article 10 Section 5 Paragraph 1 Point 4 of the Standards)</td><td colspan="5">No Such Circumstance</td></tr>
</table>

(2) Successor CPA

CPA Firm	KPMG Taiwan
Name of CPA	Tseng, Kuo-Yang, Chi, Shi-Qin
Date of appointment	February 04, 2015
Accounting treatment or accounting principles for specific transactions before the commission, and inquiry on the possible opinions issued on the financial reports, and results	No Such Circumstance
Successor CPA's written opinion differing from the opinion of the predecessor CPA	No Such Circumstance

(3) Written Reply of the Predecessor CPA According to Article 10 Section 5 Paragraph 1 Point 1 and 2-3: None

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, Supervisors, Managerial Officers and Holders Of 10% or More of Company Shares

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

Title	Name	2015		Up to April 26 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	0	0	0	0
	Dawan Technology Company Limited Representative：Hsiao, Ying-Chun	0	0	0	1,200,000
Vice Chairman	Chang, Wen-Hwa	317,345	0	0	0
Director	Oushi Foods Company Limited	(951,000)	(1,029,760)	(50,000)	0
	Oushi Foods Company Limited Representative: Lin, Jung-Chin	(6,046,000)	(2,475,913)	0	0
Director	Lin Chuan	0	0	0	0
Director	Tseng, Tien-Szu	0	0	0	0
Supervisor	Chang, Hsiu-Chi	0	0	0	0
Supervisor	Liao, Ying-Ying	0	0	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

Title	Name	2015		Up to April 26 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
Vice President , General Affairs	Tseng , Chu-Lan	0	0	0	0
Senior Vice President, Oncology Business Unit	Yang, Si-Yuan	0	0	0	0
Senior Vice President, Oncology Business Unit	Shi, Jun-Liang	(100,000)	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	(1,907)	0	505	0
Head of Lioudu Factory	Xu, Jian-Yu	(27,551)	0	0	0
Vice President, Legal	Lin, Jin-Rong	0	0	0	0
Vice President, Chungli Factory	Xie, Cong-Yong	0	0	0	0
Vice President, Taipei office	Jian, Chong-Guang	0	0	0	0
Vice President, Manufacturing Center	Huang, Yao-Kun	0	0	0	0
Vice President, Auditung	Wu, Wen-Hua	0	0	0	0
Senior Vice President and Financial Officer, Financial Division,	Chang , Kuo-chiang	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	20,624,732	8.29	-	-	-	-	Hsiao, Ying-Chun	Chairman	
Representative：Hsiao, Ying-Chun	4,042,524	1.63	-	-	-	-			
The New Labor Pension Fund	8,433,500	3.39					None	None	
JPMorgan in Custody for Franklin Templeton Investment Funds - Templeton Asian Smaller Companies Fund	8,354,800	3.36	-	-	-	-	None	None	
Chang, Wen-I	6,766,831	2.72	255,035	0.10	-	-	Chang, Chun-Jen	Second cousins	
							Chang, Wen-Ling	Second cousins	
Chang, Chun-Jen	6,439,420	2.59	,307,280	1.33	-	-	Chang, Wen-I	Second cousins	
							Chang, Wen-Ling	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	
Chang, Wen-Ling	5,183,960	2.09	-	-	-	-	Chang, Chun-Jen	Second cousins	
							Chang, Wen-I	Second cousins	
Fubon Life Insurance Company Limited. Representative：Cheng, Pen-Yuan	5,000,000	2.01	-	-	-	-	None	None	
The Old Labor Pension Fund	4,741,500	1.91	-	-	-	-	None	None	
Hsiao, Ying-Chun	4,042,524	1.63	-	-	-	-	Dawan Technology Company Limited	Chairman	
Causeway Emerging Market Fund trusted by HSBC	3,907,000	1.57	-	-	-	-	None	None	

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, Supervisors, Managers and Its Directly or Indirectly Controlled Business toward the Same Investment Businesses, as well as the Combined Calculated Shareholding Percentage

April 30, 2016(Unit: Share)

Reinvested Companies (Note1)	Investment of the Company		Investment of the directors, supervisors, 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.	19,701,275	19.30%	394,720	0.39%	20,095,995	19.69%
American Taiwan Biopharma Philippines Inc.	459,096	87.00%	0	0	459,096	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%	1,526,824	3.98%	23,214,001	60.46%
CY Biotech Company Limited	5,700,000	27.84%	210,346	1.03%	5,910,346	28.87%

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

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
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 Common Share	None	Note 17
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

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
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.

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.

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 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 26,2016(Unit: Number, Share)

Structure of Shareholders	Governmental Institution	Governmental Institution	Other Legal Persons	Foreign Institutions and Foreign Individuals	Individuals	Total
Number of Persons	5	93	85	177	22,724	23,084
Shareholding (shares)	20,334,000	36,546,734	30,047,388	61,365,392	100,356,445	248,649,959
Shareholding Ratio (%)	8.18%	14.70%	12.08%	24.68%	40.36%	100.00%

(3) Status of Ownership Dispersion

April 26,2016

Shareholding class			Number of Shareholders	Shareholding (shares)	Shareholding Ratio (%)
1	to	999	12,003	1,862,261	0.75%
1,000	to	5,000	8,825	16,741,694	6.73%
5,001	to	10,000	1,044	7,751,373	3.12%
10,001	to	15,000	387	4,663,959	1.88%
15,001	to	20,000	162	2,860,172	1.15%
20,001	to	30,000	187	4,713,263	1.90%
30,001	to	40,000	90	3,176,170	1.28%
40,001	to	50,000	58	2,648,088	1.06%
50,001	to	100,000	108	7,689,365	3.09%
100,001	to	200,000	78	11,403,283	4.59%
200,001	to	400,000	52	14,695,175	5.91%
400,001	to	600,000	24	11,875,312	4.78%
600,001	to	800,000	10	6,997,837	2.81%
800,001	to	1,000,000	10	8,936,735	3.59%
More than 1,000,001			46	142,635,272	57.36%
Total			23,084	248,649,959	100.00%

Note: No preferred stock issued.

(4) List of Major Shareholders

Major Shareholders

April 26, 2016

Top 10 Shareholders	Shareholding (shares)	Shareholding Ratio (%)
Dawan Technology Company Limited	20,624,732	8.29
The New Labor Pension Fund	8,433,500	3.39
JPMorgan in Custody for Franklin Templeton Investment Funds - Templeton Asian Smaller Companies Fund	8,354,800	3.36
Chang, Wen-I	6,766,831	2.72
Chang, Chun-Jen	6,439,420	2.59
Chang, Wen-Ling	5,183,960	2.08
Fubon Life Insurance Company Limited	5,000,000	2.01
The Old Labor Pension Fund	4,741,500	1.91
Hsiao, Ying-Chun	4,042,524	1.63
Causeway Emerging Market Fund trusted by HSBC	3,907,000	1.57

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

Data on Market Price, Net Value, Earning, and Dividend per Share

Unit: NT$; share

Item			2014	2015	As of March 31,2016
Market Value Per Share	Highest		103	129	123
	Lowest		49.8	63.6	97
	Average		83.74	90.63	109.94
Net Value Per Share	Before Distribution		16.87	20.52	21.34
	After Distribution		16.87	20.52	—
EPS (Earning Per Share)	Weighted Average Number Of Shares		248,650	248,650	248,650
	EPS (Earning Per Share)	Before Retroactive Adjustment	3.14	4.87	1.13
		After Retroactive Adjustment	3.14	4.87	1.13
Dividend Per Share	Cash Dividend		2.50	3.50(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		33.23	18.61	—
	Price-Dividend Ratio		41.87	25.90	—
	Dividend Yield(%)		2.39	3.86	—

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:

2016 Proposed Dividend Distribution from the Company's Shareholders' Meeting
(Proposed by the Board of Directors dated March 30, 2016)）

Type of Dividend	Dividend for Each Share (NTD)	Source
Cash Dividend	3.50	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 Bonus and Remuneration to Directors and Supervisors

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

For the purpose of responding to the modification of Article 235-1 of Company Act, the Company will comply with aforementioned modification accordingly and modify its Articles of Incorporation in its 2016 regular meeting of shareholders. As per the Company's proposed Articles of Incorporation, 1% to 8% of profits shall be appropriated as employee bonus and not higher than 2% of profits shall be appropriated as compensation for director and supervisor in the event of profits incurred for the fiscal year.

② For current period, estimate basis for estimated employee bonus and compensation amounts for director and supervisor, 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 30, 2016, the Company's Board of Directors approved that estimate basis for distribution of the Company's 2015 compensations for employee, director and supervisor will be the Company's pre-tax net profit for the period deducted by employee, director and supervisors' pre-compensation amounts before being multiplied by employee, director and supervisor compensation distribution percentages prescribed in the Company's Articles of Incorporation. Such distribution will be listed as 2015 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 2016.

(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 Compensation 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 30th, 2016, the Company's Board of Directors approved distribution of the Company's 2015 employee bonus totaled NTD22,373,000 and compensation for director and supervisor totaled NTD21,468,000, 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 2015.

④ Actual distribution of employee, director and supervisor compensations for the previous year (including number of shares distributed, amounts and stock price), disclosure of discrepancy between actual distribution and estimated compensations for employee, director and supervisor as well as statement prescribing discrepancy amount, reason and processing status.

For 2014, the Company's actual distributed amount for employee bonus is NTD14,034,000, and actual distributed amount for director and supervisor compensation is NTD14,034,000. There is no discrepancy between actual distribution amounts for employee bonus and director and supervisor compensations and estimated amounts on the Company's 2014 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 (2015)

Unit: NT$ Thousand

Source of Major Revenue	Business Revenue	Business Percentage (%)
Oral	1,187,174	43
Injection	1,408,445	52
Ointment	94,300	3
Others	49,037	2
Total	2,738,956	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 and anti-infection drugs, which are listed below：

Key Products and Treatments

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
Anti-infection	Cephalosporin, Macrolides, Sulfonamides, Antitubercular Agent, lipopeptide	Cubicin, Colimycin, Exacin, Maxtam, C.P.Z., Flusine, Metacin, Lipo AB, Brosym

④ New Product (Service) Development Projects

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

(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 life cycle and long product development time. Since the product (drug) quality is associated with the health of the consumer (patients), the safety and efficacy of the products are highly invigilated. 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) Industry focus is shifting away from primary care and toward specialty and niche 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: Raw material searching and API manufacturing; Downstream: Drug formulation and marketing. The prescription drug market can be divided into three categories: (a) Branded drug (b) BE generic drug and (c) Non-BE generics. Though most of the pharmaceutical companies in Taiwan focus on Non-BE generics manufacturing, more and more companies are starting to invest in new drug development.

- 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. For API manufacture, it harnesses many different technologies, such as organic synthesis, natural product extraction, microbial fermentation, genetic engineering in its manufacturing.

- Downstream：

Pharmaceutical company, it is responsible for the manufacturing of the end product (drug) by formulating an API into a tablet with excipients (lubricant, disintegrating agents, etc.) under GMP compliance, as well as for the distribution of drugs in the channels (GP, HP, DS).

③ Industry Outlook

According to IMS report, 200 newly developed drugs will enter the market before 2020, and due to the less patent cliff effect, global use of medicines will increase by 30% in the next 5 years. In 2014, global spending on medicine is $989billion USD, and is expected to come to $1.4trillion USD in 2020 with a 4%-7% compound annual growth rate. In the analysis by IMS, Asian and other pharmerging countries will account for 50% growth of global spending on medicine, owning to rising incomes and improved access to healthcare. The rise of Asian market is mainly due to the fast growing Chinese market. China, the world 2nd largest pharmaceutical market after the US, is expected to reach USD$115 to 185 billion by the year of 2018.

Analysis highlights：

(i) A substantial increase in the number of new oncology drugs will be expected, due to aging population and increase of patients from unhealthy diet.

(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, many MNCs invest in their R&D in areas of new treatment for Asian viral hepatitis and botanical oncology medicines for viral hepatitis, cancer, autoimmune system disease and CNS disorders.

(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.

To prepare for the above challenges, to overcome the limited economy scale resulted from small size of internal market and to compete with global pharmaceutical firms, Taiwanese pharmaceutical industry should focus on a few areas: new drug development, international marketing, new formulation drug development and patent protection.

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 2015 and 1st Quarter of 2016

Unit: NT$ Thousand

Item	2015	2016Q1
Research & Development Expense	236,398	55,175

② Technology or Product Successfully Developed

January, 2015	"Pexeda Injection" obtained Taiwan drug approval.
January, 2015	"Tynen Injection" obtained Malaysia drug approval.
August, 2015	"Folina Tablets 15MG" obtained Malaysia drug approval.
October, 2015	"Fupadine Injection 50mg/ml" obtained Taiwan drug approval.
December, 2015	"Tynen Injection" obtained Vietnam drug approval.

(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. Maximize the income of royalty from out-licensing and minimize the risk of

R&D by collaborating with international marketing companies in countries where there are no TTY’s subsidiaries and carefully selecting the feasible new drug development project

(iii) Manufacture

a. Continuously inspected by regulatory agencies to ensure products manufactured here adhere to the highest standards of quality and safety.

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 77.17% of the net sales, and export sales majorly comes from the Asian market, accounting for 16.74%; 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$1.4 trillion in 2020, a 30% increase comparing to the number in 2014.

③ Competitive niche

(i) In terms of TTY’s core competitiveness

a. Precise market positioning

b. Complete value chain

c. Continuously developing competitive products。

(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

The new drug pricing system (global budget system), started in July of 2001 in Taiwan, has created a huge negative impact on drug prices and sales in Taiwan, resulting in lower revenue for pharmaceutical companies in Taiwan.

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.

Other than continuing operation in the core channels (medical centers, regional hospitals, district hospitals with development potentials) in Taiwan, TTY will enter the international market through developing high barrier and concept-proved new drugs and biologics with innovative formulations. Presently, TTY has been successful in introducing its own R&D products to regions including EU, Asian Pacific, Middle East regions, Africa, and South America, and has become the best partner for companies which are strong in drug marketing. In the future, TTY will continue its cultivation of Asian target markets (home market) to build up its local strength to become the best partner with the best drug development and marketing capabilities for international innovation and biotech companies in the global market.

(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) 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.

Name of Major Supplier	Major Purchase Item	Medical Purpose
ScinoPharm Taiwan Limited	Docetaxel, Gemcitabine, Anastrogole	Raw Material for Antineoplastic Drug
Pharmaneer Limited.	Benazepril, Mosapride, Calcium Folinate, C+S	Cardiac-Vascular Drug, Gastroenterology Drug, Raw Materials for Antibiotic and Antineoplastic Drug
Biopharm International Company Limited.	Thalidomide Pemetrexed, Amphotericin B, Colistimethate	Raw Materials for Antibiotic and Antineoplastic Drug
Fermion	Irinotecan	Raw Materials for Antibiotic and Antineoplastic Drug
Penreco	Petrolatum	Raw Materials for Dermatology Drug
Daito	Tegafur, Squalane	Raw Materials for Dermatology and Antineoplastic Drug
Umicore	Oxaliplatin	Raw Materials for Antineoplastic Drug
New-In Company Limited.	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

Rank	2014				2015				2016Q1			
	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer
1	Cubist Pharmaceuticals	75,264	12.27	None	Biopharm International Company Limited	71,791	12.06	None	Cubist Pharmaceuticals	23,137	14.70	None
2	Otsuka Pharmaceutical Company Limited	74,701	12.18	None	Otsuka Pharmaceutical Company Limited	47,460	7.97	None	Taiho Pharmaceutical	14,536	9.24	None
3	Biopharm International Company Limited.	54,875	8.94	None	Cubist Pharmaceuticals	45,483	7.64	None	Center Laboratories, Inc.	11,550	7.34	Related party
	Other	408,709	66.61		Other	430,469	72.33		Other	108,155	68.72	
	Net Purchase Amount	613,549	100.00		Net Purchase Amount	595,203	100.00		Net Purchase Amount	157,378	100.00	

② List of Major Clients

List of Major Clients in the Last 2 Years

Item	2014				2015				2016Q1			
	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer
1	Company A	82,876	3.59	None	Company A	458,561	17.04	None	Company A	188,894	24.28	None
	Other	2,223,006	96.41		Other	2,231,796	82.96		Other	588,962	75.72	
	Net Sale Amount	2,305,882	100.00		Net Sale Amount	2,690,357	100.00		Net Sale Amount	777,856	100.00	

Note 1：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.。

(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	2014			2015		
	Production Capacity	Production Quantity	Production Quantity	Production Capacity	Production Quantity	Production Quantity
Ointment	Note 1	3,177	98,901	Note 1	2,235	75,767
Oral	Note 1	337,743	368,800	Note 1	350,480	316,062
Injection	Note 1	2,373	360,627	Note 1	2,728	424,854
Others	Note 1	—	—	Note 1	—	—
Total	—	Note 2	828,328	—	Note 2	816,683

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	2014				2015			
	Local Sales		Export Sales		Local Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ointment	3,108	110,511	—	—	2,298	94,300	—	—
Oral	343,319	1,154,840	6,618	33,685	352,564	1,146,869	11,172	40,305
Injection	2,290	851,784	182	154,821	2,582	872,120	340	536,325
Others	68	78,566	—	—	4,220	438	—	—
Total	—	2,195,701	—	188,506	—	2,113,727	—	576,630

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		2014	2015	March 31, 2016
No. of Employee	Management Staff	77	78	75
	R&D Staff	104	102	98
	Other Staff	294	309	317
	Total	475	489	490
Average age		37.79	38.25	38.04
Average years of service		6.05	6.18	6.19
Academy Ratio (%)	Doctor	4.21	4.70	4.69
	Master	36.63	35.99	36.73
	College	49.69	50.31	49.40
	Senior High School	8.21	7.77	7.96
	Below Senior High School	1.26	1.23	1.22

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.
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	i. A Solarium of NTD 3,000 will be forwarded but this is limited to one	i. Application: Submission of wedding invitation or

Subsidy Item	Explanation	Note
Solarium	Solarium each year. ii. (Based on Discharge Date) Visiting gift is limited to NTD1,000	marriage certificate or one copy of household registry together with a 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 date of disaster occurrence.
Education Fee Subsidy	i. Scope of Application: To encourage Association colleague and their	i. Application Deadline: within 30 days after the

<table>
<tr><th>Subsidy Item</th><th>Explanation</th><th>Note</th></tr>
<tr><td></td><td>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.
v. Payment of education subsidy will be delivered in accordance with standards prescribed in appendix 2.</td><td>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>
<tr><td>Travel Subsidy</td><td>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.</td><td>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</td></tr>
</table>

Subsidy Item	Explanation	Note
	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.	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.

2015 Employee Education and Training Status

Item		Number of Classes	Total Hours	Total Man-Times	Total Amount (NTD)
Internal Training	Freshmen Training	6	66	110	35,795
	General Knowledge School	10	68.5	162	208,976
	Marketing School	5	28	80	20,268
	R&D School	7	37	156	2,570
	Business School	2	13	19	2,960
	Manufacturing School	3	16	46	4,889
	Leadership Management School	0	0	0	0
External Training		218	2,312	218	1,010,892(Note)
Total		251	2,540.5	791	1,286,350

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
Equity Transfer Supplement	GL SAINO Investment Limited	2015.7.24~ 2015.12.09	Selling of Taiwan Tungyang International Company Limited 40% Equities	None
Equity Transfer	Center Laboratories, Inc. / Vivo Capital Fund VIII, L.P. / Vivo Capital Surplus Fund VIII, L.P. / Prime Success International Company Limited. / Formosa Laboratories, Inc / Miriam Monte Investment Company Limited.	2015.12.3	Xudonghaipu International Company Limited sold equities in TOT Biopharm International Company Limited	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

Consolidated Condensed Balance Sheets

Unit: NT$ Thousand

Item \ Year		Financial Data in the most recent 5-years (Note 1)				Financial Data up to March 31, 2016 (Note 2)
		2012	2013	2014	2015	
Current Assets		3,516,629	2,861,399	2,652,811	4,301,026	4,227,184
Property, plant, and equipment		1,966,911	1,880,444	2,302,285	2,295,527	2,276,832
Intangible assets		66,376	87,790	64,550	50,780	46,347
Other assets		461,279	263,893	419,891	501,891	510,600
Total assets		6,986,916	6,930,369	7,374,034	8,804,714	8,571,288
Current liabilities	Before distribution	2,365,994	2,358,219	2,492,302	2,068,934	2,153,449
	After distribution	—	2,824,292	3,113,927	—	—
Noncurrent liabilities		207,880	244,433	249,292	1,040,830	540,400
Total liabilities	Before distribution	2,573,874	2,602,652	2,741,594	3,109,764	2,693,849
	After distribution	—	3,068,725	3,363,219	—	—
Shareholder's equity attributable to parent company		3,480,281	3,876,614	4,194,878	5,101,301	5,305,970
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	376,793
Retailed earnings	Before distribution	1,040,647	1,138,030	1,295,468	1,880,805	2,161,449
	After distribution	—	555,439	595,879	—	—
Other equity		(26,659)	18,066	34,903	360,011	281,228
Treasury stock		—	—	—	—	—
Unrestrictive equity		932,761	451,103	437,562	593,649	571,469
Total equity	Before distribution	4,413,042	4,327,717	4,632,440	5,694,950	5,877,439
	After distribution	—	3,861,644	3,932,851	—	—

Note1: IFRSs have been adopted from 2013.
Note2: Financial data of 2016Q1 are reviewed by the CPA. The rest is audited by the CPA.

Consolidated Condensed Income Statement

Unit: NT$ Thousand

Year / Item	Financial Data in the most recent 5-years (Note 1)				Financial Data up to March 31, 2016 (Note 2)
	2012	2013	2014	2015	
Operating income	4,016,022	3,110,092	2,979,902	3,195,218	912,604
Gross Profit - net	2,517,157	2,054,576	1,891,999	2,188,349	638,976
Operating profit or loss	653,141	339,862	338,095	789,787	317,456
Non-Operating income and expense	216,352	496,394	571,745	735,808	47,166
Net income before tax	869,493	836,256	909,840	1,525,595	364,622
Net income of continuing operations	869,493	836,256	909,840	1,525,595	364,622
Loss of discontinued operation	–	–	–	–	–
Net income (loss)	676,260	644,530	811,695	1,246,592	305,191
Other comprehensive profit and loss (net)	(97,476)	54,115	16,870	474,189	(125,510)
Total current comprehensive profit and loss	578,784	698,645	828,565	1,720,781	179,681
Net income attributable to parent company’s shareholders	536,697	587,440	779,645	1,211,018	280,644
Net income attributable to unrestrictive equity	139,563	57,090	32,050	35,574	24,547
Total comprehensive profit and loss attributable to parent company’s shareholders	(83,401)	632,147	796,482	1,532,070	201,861
Total comprehensive profit and loss attributable to unrestrictive equity	(14,075)	66,498	32,083	188,711	(22,180)
Earnings per share	2.51	2.52	3.14	4.87	1.13

Note1: IFRSs have been adopted from 2013.

Note2: Financial data of 2016Q1 are reviewed by the CPA. The rest is audited by the CPA.

(2) Consolidated Condensed Balance Sheet – the R.O.C. Financial Accounting Standards

Consolidated Condensed Balance Sheet – the R.O.C. Financial Accounting Standards

Unit: NT$ Thousand

Item \ Year		Financial Data in recent 5 years (Note 1)	
		2011	2012
Current Assets		1,307,292	1,321,065
Fund and investment		2,017,001	2,538,748
Property, plant, and equipment		1,464,895	1,604,704
Intangible assets		29,842	18,930
Other assets		240,664	244,465
Total assets		5,059,694	5,727,912
Current liabilities	Before distribution	2,158,066	2,024,825
	After distribution	2,209,838	2,324,412
Long-term liabilities		—	—
Other liabilities		181,566	200,259
Total liabilities	Before distribution	2,339,632	2,225,084
	After distribution	2,391,404	2,524,671
Capital stock		1,725,736	2,139,913
Additional paid-in capital		122,609	440,156
Retained earnings	Before distribution	761,563	837,936
	After distribution	709,791	538,349
Treasury stock		—	—
Unrealized gains/losses on financial instruments		—	—
Cumulative Translation Adjustment		82,429	57,098
Unrealized revaluation increments		27,725	27,725
Total equity	Before distribution	2,720,062	3,502,828
	After distribution	2,668,290	3,203,241

Note 1: Financial data have been audited by the CPA.

Consolidated Condensed income statement – the R.O.C. Financial Accounting Standards

Unit: NT$ Thousands

Year / Item	Financial Data in the most recent 5-years (Note 1)	
	2011	2012
Operating income	2,067,028	2,158,525
Gross Profit - net	1,260,981	1,364,846
Operating profit or loss	81,273	200,204
Non-Operating income and expense	544,010	454,308
Non-Operating Expense and loss	16,379	18,453
Income from continuing operations before income taxes	608,904	636,059
Net income for continuing operations	522,076	542,322
Income from Discontinued operations(Note 5)	—	—
Extraordinary gain (loss)	—	—
Cumulative Effect of Changes in Accounting Principle (Note 4)	—	—
Net income	522,076	542,322
Earnings per share (NT$)(Note 2)	3.03	2.53
Earnings per share (NT$)(Note 3)	2.44	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
2011	Wu, Chin-Te, Tai, Wei-Liang	Modified Unqualified Opinion
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

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

Financial Ratio Analysis－Individual

Analysis item（Item3）		Year（Note1）Financial analysis in the most recent 5-years			
		2012	2013	2014	2015
Finance structure%	Debt to assets ratio	38.88	43.47	38.64	39.47
	Long term funds to property, plant, and equipment ratio	209.87	208.89	195.19	270.37
Solvency%	Current ratio	64.43	52.7	58.91	84.14
	Quick ratio	44.33	35.49	39.85	60.75
	Interest coverage ratio	39.78	48.49	44.57	57.85
Operating ability	Receivables turnover (times)	3.8	3.97	4.26	3.96
	Average accounts receivable turnover days	96	92	86	92
	Inventory turnover (times)	1.92	2.02	2.16	2.04
	Payables turnover (times)	5.69	6.89	7.68	7.22
	Average inventory turnover on sale	190	180	169	179
	Property, plant, and property turnover (times	1.33	1.30	1.15	1.2
	Total asset turnover (times)	0.40	0.37	0.35	0.36
Profitability	Return on assets (%)	10.31	9.36	11.63	16.14
	Return on shareholder’s equity (%)	17.43	15.97	19.32	26.05
	Net income before tax to paid-in capital ratio(Note 7)	29.47	29.87	34.75	58.22
	Profit margin (%)	25.12	25.63	32.70	44.21
	Earnings Per Share (NT$)	2.51	2.52	3.14	4.87
Cash flow	Cash flow from operations ratio (%)	16.7	11.64	19.62	26.18
	Cash Flow Adequacy Ratio (%)	54.02	46.01	42.11	48.39
	Cash Flow Re-investment Ratio (%)	7.3	0.43	0.07	(0.36)
Leverage	Operating leverage	1.39	1.34	1.39	1.15
	Financial leverage	1.09	1.05	1.08	1.04

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

1. Long-term capital against properties, plant and equipment ratio: long-term debt increases to improve financial structure in 2015.
2. Current ratio and Quick ratio: due to an increase of operating income to make current assets increased.
3. Return on assets, Return on shareholder’s equity, Net income before tax to paid-in capital ratio, Profit margin, Earnings Per Share and Interest coverage ratio: due to an increase of net income.
4. Cash flow from operations ratio: Net cash provided by operating activities due to an increase of net income to make net cash provided by operating activities increased.
5. Cash Flow Re-investment Ratio: mainly due to an increase of 2015 cash dividend.

Financial Ratio Analysis - Consolidated

Analysis item (Note3) \ Year (Note1)		Financial analysis in the most recent 5-years				Up to March 31,2016 (Note2)
		2012	2013	2014	2015	
Finance structure%	Debt to assets ratio	36.60	37.55	37.18	35.32	31.43
	Long term funds to property, plant, and equipment ratio	221.98	243.14	212.04	293.43	281.88
Solvency%	Current ratio	148.63	121.34	106.44	207.89	196.30
	Quick ratio	120.65	96.87	85.57	180	168.87
	Interest coverage ratio	54.48	64.97	48.30	61.15	66.65
Operating ability	Receivables turnover (times)	3.36	3.14	3.92	3.67	4.02
	Average accounts receivable turnover days	108	116	93	99.45	90.79
	Inventory turnover (times)	2.52	1.85	2.13	2.00	2.04
	Payables turnover (times)	7.28	5.94	6.77	5.94	6.73
	Average inventory turnover on sale	145	197	171	183	178.92
	Property, plant, and property turnover (times	1.99	1.57	1.42	1.39	1.60
	Total asset turnover (times)	0.61	0.45	0.42	0.39	0.42
Profitability	Return on assets (%)	10.56	9.44	11.57	15.67	3.57
	Return on shareholder’s equity (%)	17.21	14.75	18.12	24.14	5.27
	(註 7) Net income before tax to paid-in capital ratio(Note 7)	40.63	35.89	36.59	61.36	14.66
	Profit margin (%)	16.84	20.72	27.24	39.01	33.44
	Earnings Per Share (NT$)	2.51	2.52	3.14	4.87	1.13
Cash flow	Cash flow from operations ratio (%)	5.24	22.68	23.19	30.90	2.22
	Cash Flow Adequacy Ratio (%)	62.90	58.82	53.98	56.94	62.48
	Cash Flow Re-investment Ratio (%)	(0.16)	3.96	2.17	0.27	4.14
Leverage	Operating leverage	1.19	1.31	1.35	1.16	1.09
	Financial leverage	1.03	1.04	1.06	1.03	1.02

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

1. Long term funds to property, plant, and equipment ratio: due to an increase of
2. Current ratio and Quick ratio: due to an increase of operating income to make current assets increased.
3. Return on assets, Return on shareholder’s equity, Net income before tax to paid-in capital ratio, Profit margin, Earnings Per Share and Interest coverage ratio: due to an increase of net income.
4. Cash flow from operations ratio: Net cash provided by operating activities due to an increase of net income to make net cash provided by operating activities increased.
5. Cash Flow Re-investment Ratio： mainly due to an increase of 2015 cash dividend.

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

Analysis item \ Year			Financial analysis in the most recent 5-years	
			2011	2012
Finance Structure%	Debt To Assets Ratio		46.24	38.85
	Long Term Funds To Property, Plant, And Equipment Ratio		185.68	218.28
Solvency%	Current Ratio		60.58	65.24
	Quick Ratio		41.02	45.01
	Interest Coverage Ratio		47.08	40.12
Operating Ability	Receivables Turnover (Times)		4.08	3.83
	Average Accounts Receivable Turnover Days		89	95
	Inventory Turnover (Times)		2.01	1.92
	Payables Turnover (Times)		5.92	5.73
	Average Inventory Turnover On Sale		181	190
	Property, Plant, And Property Turnover (Times		1.68	1.41
	Total Asset Turnover (Times)		0.47	0.40
Profitability	Return On Assets (%)		12.12	10.30
	Return On Shareholders' Equity (%)		21.38	17.43
	Percentage To Paid-In Capital	Operating Income	4.71	9.36
		Net Income Before Tax	35.28	29.72
	Profit Margin (%)		25.26	25.12
	Earnings Per Share (NT$)		3.03	2.53
Cash Flow	Cash Flow From Operations Ratio (%)		6.47	16.81
	Cash Flow Adequacy Ratio (%)		51.51	54.02
	Cash Flow Re-Investment Ratio (%)		3.21	7.06
Leverage	Operating Leverage		1.85	1.39
	Financial Leverage		1.19	1.09

Note1: IFRSs have been adopted from 2013.
Note2: Financial data of 2016Q1 are reviewed by the CPA.
Note3: 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
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)
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: 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 5: 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 6: 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 Supervisors

TTY BioPharm Company Limited

Supervisor’s Review Report

The Board reports the financial statements which have been audited by KPMG Taiwan, business report, and earnings distribution proposal of 2015 have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the audited report. Please review.
Submitted to: 2016 Annual General Shareholders’ Meeting of the Company.

Supervisor：CHANG, HSIU-CHI

Supervisor：LIAO, YING-YING

On the Date of May 30, 2016

4. 2015 Consolidated Financial Statements with Subsidiaries Audited by CPA: Please refer to Page 115-201

5. 2015 Financial Statements Audited by CPA: Please refer to Page 202-278

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 2015 and the Publication Date of the Annual Report: None

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(English Translation of Financial Report Originally Issued in Chinese)

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
TTY Biopharm Company Limited

We have audited the accompanying consolidated balance sheets of TTY Biopharm Company Limited and its subsidiaries (the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries with total assets representing 15.06% and net sales representing 18.97% of the related consolidated total as of and for the year ended December 31, 2014. Also, we did not audit the investments in other companies accounted for using the equity method representing 6.93% and 23.62% of consolidated total assets as of December 31, 2015 and 2014, respectively, and the related share of profit (loss) of associates and joint ventures accounted for using the equity method representing 4.99% and (1.16)% of consolidated net income before tax for the years ended December 31, 2015 and 2014, respectively. The financial statements of these subsidiaries and investees accounted for under the equity method were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

KPMG

In our opinion, based on our audits and the reports of the other auditors, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the "International Financial Reporting Standards, International Accounting Standards", IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission.

We have also audited the non-consolidated financial statements of TTY Biopharm Company Limited as of and for the years ended December 31, 2015 and 2014, and have issued a modified unqualified audit opinion thereon.

KPMG

KPMG

Taipei, Taiwan (the Republic of China)

March 30, 2016

Notes to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" in the Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Financial Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2015 and 2014

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2015			December 31, 2014	
		Amount	%	Amount	%
ASSETS					
Current Assets:					
Cash and cash equivalents (Notes 6(1) and (22))	$	1,710,524	19	854,228	11
Notes receivable, net (Notes 6(4) and (22))		48,669	1	48,261	1
Notes receivable－related parties (Notes 6(4) and (22) and 7)		461	-	2,141	-
Accounts receivable, net (Notes 6(4) and (22))		932,627	11	666,742	9
Accounts receivable, net－related parties (Notes 6(4) and (22) and 7)		22,839	-	18,200	-
Other receivables (Notes 6(4) and (22) and 7)		488,470	6	49,879	1
Inventories (Note 6(5))		532,137	6	476,730	6
Prepayments		44,828	1	43,475	1
Non-current assets classified as held for sale, net (Note 6(6))		27,791	-	-	-
Other financial assets－current (Notes 6(1) and (22) and 8)		492,075	6	490,482	7
Other current assets		605	-	2,673	-
		4,301,026	50	2,652,811	36
Non-current assets:					
Available-for-sale financial assets－noncurrent (Notes 6(2) and (22))		562,733	6	-	-
Financial assets carried at cost－noncurrent (Notes 6(3) and (22))		-	-	100,048	1
Investments accounted for using equity method (Note 6(7))		873,484	10	1,741,539	24
Property, plant and equipment, net (Note 6(9))		2,295,527	26	2,302,285	31
Investment property, net (Notes 6(10) and 8)		78,354	1	78,709	1
Intangible assets (Note 6(11))		50,780	1	64,550	1
Deferred tax assets (Note 6(15))		6,615	-	6,859	-
Prepayments for equipment (Note 7)		471,291	5	384,224	6
Refundable deposits (Notes 6(22) and 7)		23,985	-	28,808	-
Cash surrender value of life insurance (Note 6(22))		8,505	-	8,484	-
Other financial assets－other－noncurrent (Notes 6(22) and 8)		125,737	1	5,717	-
Other noncurrent assets－other		6,677	-	-	-
		4,503,688	50	4,721,223	64
TOTAL ASSETS	**$**	**8,804,714**	**100**	**7,374,034**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONT'D)
DECEMBER 31, 2015 and 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2015			December 31, 2014	
		Amount	%	Amount	%
LIABILITIES					
Current Liabilities:					
Short-term loans (Notes 6(12) and (22))	$	1,200,000	14	1,740,000	24
Notes payable (Note 6(22))		20,768	-	15,118	-
Accounts payable (Note 6(22))		148,498	2	136,894	2
Accounts payable－related parties (Notes 6(22) and 7)		4,814	-	4,987	-
Current income tax liabilities (Note 6(15))		198,378	2	107,214	1
Provisions－current		5,327	-	5,327	-
Other payables (Notes 6(14) and (22) and 7)		459,919	5	446,102	6
Other current liabilities		31,230	-	36,660	-
		2,068,934	23	2,492,302	33
Non-current liabilities:					
Long-term loans (Notes 6(13) and (22))		700,000	8	-	-
Deferred tax liabilities (Note 6(15))		296,259	3	209,062	3
Net defined benefit liability－noncurrent (Note 6(14))		42,475	1	38,769	1
Guarantee deposit received (Note 6(22))		2,096	-	1,461	-
		1,040,830	12	249,292	4
Total Liabilities		3,109,764	35	2,741,594	37
Equity Attributable to Owners of the Parent (Note 6(16))					
Share capital		2,486,500	28	2,486,500	34
Capital surplus		373,985	4	378,007	5
Legal reserve		482,511	6	404,547	5
Special reserve		110,154	1	110,154	1
Unappropriated retained earnings		1,288,140	15	780,767	12
Other equity interest		360,011	4	34,903	-
Total equity attributable to owners of parent		5,101,301	58	4,194,878	57
Non-controlling interests (Notes 6(8) and (16))		593,649	7	437,562	6
Total Equity		5,694,950	65	4,632,440	63
TOTAL LIABILITIES AND EQUITY	**$**	**8,804,714**	**100**	**7,374,034**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Years ended December 31			
	2015		2014	
	Amount	%	Amount	%
Operating revenues (Notes 6(18) and 7)	$ 3,195,218	100	2,979,902	100
Cost of sales (Notes 6(5) and 7)	1,006,869	32	1,087,903	36
Gross profit	2,188,349	68	1,891,999	64
Unrealized profit on intercompany transactions	6,408	-	19,491	1
Realized profit on intercompany transactions	1,203	-	26,428	1
Gross profit, net	2,183,144	68	1,898,936	64
Operating expenses (Note 7)				
Selling expenses	771,557	24	900,106	30
General and administrative expenses	281,511	9	291,327	10
Research and development expenses	340,289	11	369,408	13
	1,393,357	44	1,560,841	53
Results from operating activities	789,787	24	338,095	11
Non-operating income and expenses (Notes 6(20) and 7)				
Other income	63,315	2	102,788	3
Other gains and losses	698,239	22	498,749	17
Finance costs	(25,362)	(1)	(19,234)	(1)
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(7))	(384)	-	(10,558)	-
	735,808	23	571,745	19
Profit before tax	1,525,595	47	909,840	30
Income tax expense (Note 6(15))	279,003	9	98,145	3
Profit for the year	**1,246,592**	**38**	**811,695**	**27**
Other comprehensive income				
Items that will not be reclassified to profit and loss				
Remeasurement effects on defined benefit plans	(4,056)	-	-	-
Less: Income tax relating to components of other comprehensive income	-	-	-	-
	(4,056)	-	-	-
Items which may be reclassified to profit and loss in subsequent periods				
Foreign currency translation differences－foreign operations	(10,260)	-	19,315	1
Unrealized (loss) gain on available-for-sale financial assets (Note 6(21))	476,184	15	-	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 6(21))	6,266	-	3,220	-
Less: Income tax relating to components of other comprehensive income	(6,055)	-	5,665	-
	478,245	15	16,870	1
Other comprehensive income for the year, net of tax	474,189	15	16,870	1
Total comprehensive income for the year	**$ 1,720,781**	**53**	**828,565**	**28**
Profit attributable to				
Owners of the parent	$ 1,211,018	37	779,645	26
Non-controlling interests	35,574	1	32,050	1
	$ 1,246,592	**38**	**811,695**	**27**
Comprehensive income attributable to				
Owners of the parent	$ 1,532,070	47	796,482	27
Non-controlling interests	188,711	6	32,083	1
	$ 1,720,781	**53**	**828,565**	**28**
Earnings per share, net of tax (Note 6(17))				
Basic earnings per share	**$**	**4.87**		**3.14**
Diluted earnings per share	**$**	**4.86**		**3.13**

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

(English Translations of Financial Statements Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Attributable to Owners of the Parent										
			Retained earnings			Other adjustments to equity					
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated	Foreign currency translation differences	Unrealized gains (losses) on available-for-sale financial assets	Total	Owners of the parent	Non-controlling interests	Total equity
Balance, January 1, 2014	$ 2,330,365	390,153	345,803	110,154	682,073	18,066	-	18,066	3,876,614	451,103	4,327,717
Profit for the year	-	-	-	-	779,645	-	-	-	779,645	32,050	811,695
Other comprehensive income for the year	-	-	-	-	-	27,658	(10,821)	16,837	16,837	33	16,870
Total comprehensive income for the year	-	-	-	-	779,645	27,658	(10,821)	16,837	796,482	32,083	828,565
Appropriation and distribution of retained earnings											
Legal reserve	-	-	58,744	-	(58,744)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(466,072)	-	-	-	(466,072)	(46,791)	(512,863)
Stock dividends of ordinary shares	156,135	-	-	-	(156,135)	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for under equity method	-	12,092	-	-	-	-	-	-	12,092	-	12,092
Disposal of investments accounted for using equity method	-	(24,238)	-	-	-	-	-	-	(24,238)	-	(24,238)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1,167	1,167
Balance, December 31, 2014	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 shares	-	-	-	-	(621,625)	-	-	-	(621,625)	(33,422)	(655,047)
Changes in equity of associates and joint ventures accounted for under equity method	-	(4,022)	-	-	-	-	-	-	(4,022)	-	(4,022)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	798	798
Balance, 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**

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

(English Translation of Financial Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2015	2014
Cash flows from operating activities:		
Profit before tax	$ 1,525,595	909,840
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	96,776	96,907
Amortization	21,853	27,053
Allowance for uncollectable accounts	13,319	-
Interest expense	25,362	19,234
Interest income	(9,660)	(10,237)
Share of profit (loss) of associates and joint ventures accounted for using equity method	384	10,558
Loss (gain) on disposal of property, plant and equipment	59	(673)
Allocation of deferred income	(1,010)	(1,031)
Gain on disposal of investments	(655,796)	(483,809)
Unrealized profits on intercompany transactions	6,408	19,491
Realized loss on intercompany transactions	(1,203)	(26,428)
	(503,508)	(348,935)
Changes in operating assets and liabilities		
Notes receivable	1,272	4,071
Accounts receivable	(284,464)	47,011
Other receivables	15,638	14,451
Inventories	(55,404)	67,247
Other current assets	291	(38)
Other financial assets	(1,593)	(6,891)
Notes payable	5,650	(23,972)
Accounts payable	11,519	16,772
Other payables	14,181	(6,611)
Other current liabilities	(5,257)	8,984
Decrease in net defined benefit liability	(350)	(292)
Net changes in operating assets and liabilities	(298,517)	120,732
Total changes in operating assets and liabilities	(802,025)	(228,203)
Cash provided by operating activities	723,570	681,637
Interest received	9,721	10,783
Dividend received	25,540	7,430
Interest paid	(25,268)	(18,876)
Income taxes paid	(94,361)	(103,028)
Net cash provided by operating activities	**639,202**	**577,946**

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

(English Translation of Financial Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2015	2014
Cash flows from investing activities		
Proceeds from disposal of available-for-sale financial assets	60,022	-
Proceeds from disposal of financial assets carried at cost	-	150
Acquisition of investments accounted for using equity method	-	(144,348)
Proceeds from disposal of investments accounted for using equity method	959,598	516,705
Acquisition of property, plant and equipment	(63,571)	(431,063)
Proceeds from disposal of property, plant and equipment	143	3,780
Decrease in refundable deposits	4,823	7,340
Acquisition of intangible assets	(8,224)	(3,469)
Increase in other financial assets	(120,020)	-
Increase in prepayments for equipment	(113,370)	(252,593)
Decrease (increase) in other noncurrent assets	(6,698)	8,060
Net cash provided by (used in) investing activities	**712,703**	**(295,438)**
Cash flows from financing activities		
Increase in short-term loans	8,655,950	140,000
Decrease in short-term loans	(9,195,950)	-
Proceeds from long-term loans	1,000,000	-
Repayments of long-term loans	(300,000)	-
Increase in guarantee deposit received	635	331
Cash dividends paid	(621,625)	(466,072)
Change in non-controlling interests	(32,624)	(45,624)
Net cash used in financing activities	**(493,614)**	**(371,365)**
Effect of exchange rate fluctuations on cash held	**(1,995)**	**5,639**
Net increase (decrease) in cash and cash equivalents	856,296	(83,218)
Cash and cash equivalents, beginning of year	854,228	937,446
Cash and cash equivalents, end of year	**$ 1,710,524**	**854,228**

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

(English Translation of Financial Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

(Amounts Expressed in Thousands of New Taiwan Dollars,

Except for Per Share Information and Unless Otherwise Stated)

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 CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 30, 2016.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

(1) Impact of the 2013 version of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

The Group has adopted the 2013 version of the IFRS endorsed by the FSC (excluding IFRS 9 Financial Instruments) in preparing consolidated financial statements starting 2015.

The new standards and amendments issued by the International Accounting Standards Board ("IASB") were as follows:

New standards and amendments	Effective date per IASB
· Amended IFRS 1 "*Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*"	July 1, 2010
· Amended IFRS 1 "*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*"	July 1, 2011
· Amended IFRS 1 "*Government Loans*"	January 1, 2013
· Amended IFRS 7 "*Disclosure — Transfers of Financial Assets*"	July 1, 2011
· Amended IFRS 7 "*Disclosure — Offsetting Financial Assets and Financial Liabilities*"	January 1, 2013
· IFRS 10 *Consolidated Financial Statements*	January 1, 2013 (investment entities effective January 1, 2014)
· IFRS 11 *Joint Arrangements*	January 1, 2013
· IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013
· IFRS 13 *Fair Value Measurement*	January 1, 2013

New standards and amendments	Effective date per IASB
· Amended IAS 1 "*Presentation of Items of Other Comprehensive Income*"	July 1, 2012
· Amended IAS 12 "*Deferred Tax: Recovery of Underlying Assets*"	January 1, 2012
· Amended IAS 19 "*Employee Benefits* "	January 1, 2013
· Amended IAS 27 "*Separate Financial Statements*"	January 1, 2013
· Amended IAS 32 "*Offsetting Financial Assets and Financial Liabilities*"	January 1, 2014
· IFRIC 20 — *Stripping Costs in the Production Phase of a Surface Mine*	January 1, 2013

The Group has assessed that the 2013 version of the IFRS endorsed by the Financial Supervisory Commission, R.O.C. did not have significant impact on the consolidated financial statements except for the following standards and amendments:

A. IFRS 10 Consolidated Financial Statements

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities", and redefines the meaning of control. IAS 27 is renamed "Separate Financial Statements". 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.

In accordance with the above principles, the Group has changed its accounting policies to determine whether it has control over the investee and must consolidate such investee.

B. IFRS 12 Disclosure of Interests in Other Entities

The Group has increased its disclosures on its interests in subsidiaries and associates in accordance with this standard. (Please refer to Notes 6(8) and 6(7).)

C. IFRS 13 Fair Value Measurement

This standard defines fair value and provides a framework for measuring fair value and requires disclosures on fair value measurement. Under this standard, the Group has increased its disclosures on the measurement of fair value and postponed the adoption of the standard regarding fair value measurement during the transition period of IFRS 13.

Comparative information need not be disclosed for periods before initial application. Despite the postponing of the adoption of the standard, there is no significant impact on the disclosures of the non-consolidated financial assets and liabilities.

D. Amendments to IAS 1 Presentation of Financial Statements

Under these amendments, the other comprehensive income section is required to present line items classified by their nature, and grouped as those items that will or will not be reclassified to profit and loss in subsequent periods. Allocation of income tax to these two groups of items of other comprehensive is also required. The Group has changed the presentation of the comprehensive income statement along with its comparison periods in accordance with the standard.

E. Amendments to IAS 19 Employee Benefits

The amendments to IAS 19 require the Group to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on plan assets used in the current IAS 19. In addition, the amendments eliminate the accounting treatment of either the corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when incurred, and instead, require recognition of re-measurement of the defined benefit plan (including actuarial gains and losses) immediately through other comprehensive income. The past service cost, on the other hand, is expensed immediately when incurred and is no longer amortized over the average period before vesting on a straight-line basis. In addition, instead of recognizing liability and expense only when a demonstrable benefit commitment is made, the amendments require the Group to recognize liability and expense for a termination benefit on (1) the date when the Group can no longer withdraw the offer of the benefit, or (2) the date when the Group recognizes related restructuring cost, whichever date is earlier. Moreover, the amendments also require a broader disclosure for defined benefit plans.

The Group has changed the accounting policy related to the measurement and expression of net defined benefit liabilities, pension cost, and actuarial gains or losses. With the elimination of the corridor approach, the Group has fully recognized the unrecognized re-measurement of the defined benefit plan to other comprehensive income.

(2) **Impact of IFRS issued by the IASB but not yet endorsed by the FSC**

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC was as follows:

New standards and amendments	Effective date per IASB
‧ IFRS 9 *Financial Instruments*	January 1, 2018
‧ Amended IAS 28 and IFRS 10 "*Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*"	Undecided

New standards and amendments	Effective date per IASB
· Amended IFRS 10, 12 and IAS 28 "*Investment Entities: Applying the Consolidation Exception*"	January 1, 2016
· Amended IFRS 11 "*Accounting for Acquisitions of Interests in Joint Operations*"	January 1, 2016
· IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
· IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
· IFRS 16 *Leases*	January 1, 2019
· Amended IAS 1 "*Disclosure Initiative*"	January 1, 2016
· Amended IAS 7 "*Disclosure Initiative*"	January 1, 2017
· Amended IAS 12 "*Recognition of Deferred Tax Assets for Unrealized Losses*"	January 1, 2017
· Amended IAS 16 and IAS 38 "*Clarification of Acceptable Methods of Depreciation and Amortization*"	January 1, 2016
· Amended IAS 16 and IAS 41 "*Agriculture:Bearer Plants*"	January 1, 2016
· Amended IAS 19 "*Defined Benefit Plans: Employee Contributions*"	July 1, 2014
· Amended IAS 27 "*Equity method in separate financial statements*"	January 1, 2016
· Amended IAS 36 "*Recoverable Amount Disclosures for Non-Financial Assets*"	January 1, 2014
· Amended IAS 39 "*Novation of Derivatives and Continuation of Hedge Accounting*"	January 1, 2014
· 2010–2012 & 2011–2013 Annual Improvements Cycles	July 1, 2014
· 2012–2014 Annual Improvements Cycles	January 1, 2016
· Amended IFRIC 21 "*Levies*"	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Group is in the process of assessing the impact on the financial position and the results of operations. The related impact will be disclosed following the completion of its assessments.

4. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(1) Statement of compliance

The accompanying consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to as the Regulations) and the International Financial

Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the "IFRS endorsed by the FSC").

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

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

(b) The net defined benefit liability is recognized as the fair value of plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling with reference to Note 4(19).

B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The 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.

(3) Basis of consolidation

A. 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.

The financial statements of 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.

B. List of subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of business	Shareholding ratio	
			2015.12.31	2014.12.31
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.	Chengdu Shuyu Pharmaceutical Co., Ltd.	Selling Western medicine	100.00%	100.00%

(4) Foreign currency

A. 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.

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 the following accounts, which are recognized in other comprehensive income:

- Available-for-sale equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent that the hedge is effective.

B. 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 from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(5) Classification of current and noncurrent assets and liabilities

An asset is classified as current when:

A. It is expected to be realized, or is intended to be sold or consumed, during the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when:

A. It is expected to be settled by the Group during its normal operating cycle;

B. It is held primarily for the purpose of trading;

C. The liability is due to be settled within twelve months after the reporting period; or

D. The Company 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.

All other liabilities are classified as noncurrent.

(6) 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.

(7) Financial instruments

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

A. Financial assets

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

(a) 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 gain or loss on monetary items, 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.

(b) 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.

(c) Impairment of financial assets

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.

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 a recovery in the fair value of an impaired available-for-sale equity security 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.

(d) Derecognition of financial assets

The Group derecognizes financial assets 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

B. Financial liabilities and equity instruments

(a) 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.

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 it is included in non-operating income and expenses.

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

(b) 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.

(c) 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.

(d) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented 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

(8) 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.

(9) 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 assets must be available for immediate distribution in their 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 assets or components of a disposal group are re-assessed in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal group are measured at the lower of their 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 inventories, financial assets, deferred tax assets, employee benefit assets, investment property, and biological assets, which are assessed for impairment 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.

(10) 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 Group's share of the profit or loss and other comprehensive income of investments accounted for using the equity method are included, after adjustments to align the said investees' accounting policies with those of the Group, in the consolidated financial statements 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 investee.

(11) 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 values are the same as those of 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.

(12) Property, plant and equipment

A. 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 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 its useful life and depreciation method are the same 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 shall be 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.

B. 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 that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

C. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and the depreciable amount shall be allocated on a systematic basis over the asset's useful life. 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 least on the annual reporting date. If expectations of useful life differ from the previous estimate, the change(s) is accounted for as a change in accounting estimate.

D. Reclassification as investment property

When owner-occupied property changes its purpose to investment property, such property shall be reclassified as investment property at carrying value at that time.

(13) Leased assets

A. Lessor

A leased asset under 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 in order 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.

B. 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 and 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.

Other leases are operating leases, and the lease assets 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.

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 in order to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

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.

(14) Intangible assets

A. 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.

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

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

(c) The ability to use or sell the intangible asset.

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

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

(f) 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.

B. Other intangible assets

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

C. 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.

D. 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:

Patent	3.25-6 years
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.

(15) Impairment–non-financial assets

Inventories, deferred tax assets, assets arising from employee benefits, and non-financial assets except that those are classified as noncurrent assets held for sale, are assessed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset.

If it is not possible to determine the recoverable amount (the higher of fair value, less cost of disposal, and value in use) for the individual asset, then the Group 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 cost of disposal, 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.

(16) 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.

(17) 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 outflow of economic benefits is possibly 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.

(18) Revenue

A. 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.

B. 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.

C. Commission income

In a transaction, when the Group plays the role of an agent instead of principal, commission income is recognized on a net basis.

D. 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".

(19) Employee benefits

A. Defined contribution plans

Obligations for contributions to 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.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is 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 (market yields of high-quality corporate bonds or government bonds) at the reporting date on 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 defined benefit obligation.

C. Other long-term employee benefits

In addition to pension plans, the Group has 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.

D. 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.

(20) Income taxes

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

A. Assets and liabilities that are initially recognized from non-business combination transactions, with no effect on net income or taxable gains (losses).

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

C. Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date or the actual legislative tax rate during the year of expected asset realization or debt liquidation.

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

A. the entity has the legal right to settle tax assets and liabilities on a net basis; and

B. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

   (a) levied by the same taxing authority; or

   (b) 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 re-evaluated 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.

(21) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary shareholders of the Company. The 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. The 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.

(22) 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 annual financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities 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.

Management continuously reviews the estimates and basic assumptions. Changes in accounting estimates are recognized in the period of change.

Information on critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following note:

Note 6(10), Classification of investment property.

Information on assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year are included in the following notes:

(1)Note 6(4), Accounts receivable impairment evaluation

(2)Note 6(5), Measurement of inventories.

6. EXPLANATIONS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

		December 31, 2015	December 31, 2014
Cash on hand	$	6,695	2,906
Cash in banks		1,658,241	787,172
Time deposits		45,588	64,150
	$	**1,710,524**	**854,228**

A. The above cash and cash equivalents were not pledged as collateral.

B. Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets—current.

C. Refer to Note 6(22) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(2) Available-for-sale financial assets

		December 31, 2015	December 31, 2014
Non-listed investment:			
Lumosa Therapeutics Co., Ltd	**$**	**562,733**	**-**

A. The above equity investments in Lumosa Therapeutics Co., Ltd. are classified as available-for-sale financial assets according to the investment intention. Such equity investments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost on December 31, 2014. Lumosa Therapeutics Co., Ltd. obtained emerging stock market registration on July 16, 2015, so these equity investments are now measured at fair value.

B. The amount measured at fair value is recognized in other comprehensive income. Please refer to Note 6(16) for details.

C. Please refer to Note 6(20) for gain (loss) on disposal of the investment.

D. As of December 31, 2015 and 2014, the aforesaid available-for-sale financial assets were not pledged as collateral.

E. 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			
	2015		2014	
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%	$ 56,273	-	-	-
Decrease by 10%	$ (56,273)	-	-	-

(3) Financial assets carried at cost

	December 31, 2015	December 31, 2014
Lumosa Therapeutics Co., Ltd.	$ -	100,048

A. The aforementioned investments held by the Group are measured at amortized cost at each reporting date given the range of reasonable fair value estimates is large and the probability for each estimate of fair value cannot be reasonably determined. Therefore, the Group's management determined that the fair value cannot be measured reliably.

B. As of December 31, 2015 and 2014, the aforesaid financial assets were not pledged as collateral.

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

	December 31, 2015	December31, 2014
Notes receivable	$ 49,130	51,344
Accounts receivable	1,007,273	724,193
Other receivables	488,470	49,879
Less: Allowance for impairment	(51,807)	(40,193)
	$ 1,493,066	785,223

Aging analysis of notes and accounts receivable and other receivables which were overdue but not impaired was as follows:

	December 31, 2015	December 31, 2014
Past due less than 90 days	$ 4,591	41,625
Past due 90-180 days	234	190
Past due 181-365 days	170	171
Past due more than 365 days	170	150
Total	$ 5,165	42,136

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, 2015	$	17,558	22,635	40,193
Impairment loss		2,981	10,338	13,319
Write-off		-	(1,705)	(1,705)
Balance as of December 31, 2015	**$**	**20,539**	**31,268**	**51,807**
Balance as of January 1, 2014	$	17,755	22,455	40,210
Impairment loss		-	197	197
Reversal of impairment loss		(197)	-	(197)
Written-off unrecoverable amount		-	(17)	(17)
Balance as of December 31, 2014	**$**	**17,558**	**22,635**	**40,193**

A. 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 that are more than 180 days past due are 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, the current financial situation, and the evaluation of the uncollectible amount.

B. Individually assessed impairment is recognized as the difference between the carrying value of accounts receivable and the estimated recoverable amount. Accounts receivable are not pledged as collateral. In addition to previous individual assessment, the Group analyzes the current financial situation and the counterparty's payment history. Based on the historical default rate, the Group evaluates the uncollectible amount by groups of notes receivable and accounts receivable.

C. As of December 31, 2015 and 2014, notes receivable and accounts receivable were not pledged as collateral.

(5) Inventories

		December 31, 2015	December 31, 2014
Merchandise	$	93,789	97,639
Finished goods		99,423	109,256
Work in process		112,586	79,753
Raw materials		202,377	180,072
Materials		33,776	34,338
Subtotal		541,951	501,058
Goods in transit		10,822	3,855
Total		552,773	504,913
Less: Allowance for inventory market decline and obsolescence		(20,636)	(28,183)
Net amount	**$**	**532,137**	**476,730**

The cost of inventories recognized as cost of goods sold and expense for the years ended December 31, 2015 and 2014, amounted to $1,014,416 and $1,086,843, respectively. The main item was the costs arising from selling goods. For the years ended December 31, 2015 and 2014, reversal of gain from valuation of inventories at net realizable value or the inventory write-down to net realizable value was recognized as an increase (decrease) in cost of goods sold of $(7,547) and $1,060, respectively.

As of December 31, 2015 and 2014, the aforesaid inventories were not pledged as collateral.

(6) Noncurrent assets classified as held for sale

On October 20, 2015, TSH Biopharm Co., Ltd. sold half of its ownership in Pharmira Laboratories, Inc. totaling 2,625 thousand shares. The carrying value of the aforementioned investment amounted to $27,791, which was accounted for under noncurrent assets classified as held for sale.

(7) Investments accounted for using equity method

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

		December 31, 2015	December 31, 2014
Associates	**$**	**873,484**	**1,741,539**

A. Associates

(i) As of December 31, 2015 and 2014, the carrying value of associates which had a quoted market price amounted to $610,352 and $566,282, respectively, while fair value amounted to $4,737,763 and $5,703,519, respectively.

(ii) In the years ended December 31, 2015 and 2014, 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 $(12,374) and $8,575, respectively. As the Group did not subscribe in proportion to the shareholding ratio for the year ended December 31, 2015, such ratio decreased from 19.35% to 19.32%.

(iii) The Group sold 2,000 thousand shares of PharmaEngine, Inc. for $516,705 in the year ended December 31, 2014, and recognized a gain on disposal of investments of $483,659. After such disposal, the Group's shareholding ratio decreased from 21.62% to 19.35%, which still represented significant influence over PharmaEngine, Inc.

(iv) In the years ended December 31, 2015 and 2014, Gligio International Limited paid cash dividends. The Company received $5,839 and $7,430, respectively, on the basis of the number of shares.

(v) BroadCan Company merged with Lumosa Therapeutics Co., Ltd. in June 2014. After the merger, based on the evaluation that significant influence had been lost, the Company remeasured the fair value of ownership of Lumosa Therapeutics Co., Ltd. on the consolidation date. Lumosa Therapeutics Co., Ltd. obtained emerging stock market registration on July 16, 2015. Available-for-sale financial assets were recognized for the purpose of investment and were measured at their fair value. Please refer to Note 6(2) for details.

(vi) In the years ended December 31, 2015 and 2014, 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 and $3,517, respectively.

(vii) The Company received cash dividends from PharmaEngine, Inc. of $19,701 in the year ended December 31, 2015.

(viii) 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 under the equity method. Please refer to Note 6(6) for details about recognition under non-current assets classified as held for sale.

(ix) Xudong Haipu International Co., Ltd. paid $74,384 for the capital increase of TOT Biopharm International Company Limited and invested in TOT Biopharm Company Limited in the year ended December 31, 2014. The main activities of TOT Biopharm Company Limited are to produce and sell Western medicine. Xudong Haipu International Co., Ltd. sold 40% ownership of TTY International Co., Ltd. and 40.91% ownership of TOT Biopharm International Company Limited for $629,075 and $785,921, respectively. A disposal gain of $609,274 was recognized. Please refer to Note 6(20) for details of gain (loss) on disposal of investment.

B. Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership December 31, 2015	Equity ownership December 31, 2014
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	19.32%	19.35%
American Taiwan Biopharm Co., Ltd.	Sale of western medicine	Thailand	40.00%	40.00%

- Summary financial information on significant associates

  The following is a summary of financial information on the Group'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.

(i) Summary financial information on PharmaEngine, Inc.

		December 31, 2015	December 31, 2014
Current assets	$	3,162,198	2,914,947
Noncurrent assets		74,717	29,599
Current liabilities		(64,673)	(18,018)
Noncurrent liabilities		(13,071)	-
Net assets	$	**3,159,171**	**2,926,528**
Net assets attributable to non-controlling interests	$	**610,352**	**566,282**
Net assets attributable to investee owners	$	**2,548,819**	**2,360,246**

		For the Years Ended December 31	
		2015	2014
Revenue	$	**507,244**	**228,986**
Profit for the year	$	394,022	123,592
Other comprehensive income		(42)	-
Comprehensive income	$	**393,980**	**123,592**
Comprehensive income attributable to non-controlling interests	$	**76,145**	**27,268**
Comprehensive income attributable to investee owners	$	**317,835**	**96,324**
Net assets attributable to the Group, January 1	$	566,282	587,722
Disposal of associates		-	(57,283)
Recognition of capital surplus due to change in associates		(12,374)	8,575
Comprehensive income attributable to the Group		76,145	27,268
Share dividends received from associates		(19,701)	-
Assets attributable to the Group, December 31		610,352	566,282
Carrying amount of interest in associates, December 31	$	**610,352**	**566,282**

(ii) Summary financial information on American Taiwan Biopharm Co., Ltd.

		December 31, 2015	December 31, 2014
Current assets	$	360,946	321,584
Noncurrent assets		181,114	91,614
Current liabilities		(81,568)	(67,591)
Noncurrent liabilities		(3,637)	(3,506)
Net assets	$	**456,855**	**342,101**
Net assets attributable to non-controlling interests	$	**182,742**	**136,841**
Net assets attributable to investee owners	$	**274,113**	**205,260**

		For the Years Ended December 31	
		2015	2014
Revenue	$	**395,968**	**372,265**
Profit for the year	$	54,090	56,113
Other comprehensive income		60,664	(10,823)
Comprehensive income	$	**114,754**	**45,290**
Comprehensive income attributable to non-controlling interests	$	**45,901**	**18,116**
Comprehensive income attributable to investee owners	$	**68,853**	**27,174**
Net assets attributable to the Group, January 1	$	135,638	110,585
Comprehensive income attributable to the Group		45,901	18,116
Net assets attributable to the Group, December 31		181,539	128,701
Less: Write-off of unrealized gain on intercompany downstream transactions		(5,205)	6,937
Carrying amount of interest in associates, December 31	$	**176,334**	**135,638**

- 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, 2015	December 31, 2014
Carrying amount of interest in individually insignificant associates, December 31	**$**	**86,798**	**1,039,619**

		For the Years Ended December 31	
Attributable to the Group:		**2015**	**2014**
Profit (loss) for the year	$	(96,264)	(61,058)
Other comprehensive income		(24,660)	20,066
Comprehensive income	**$**	**(120,924)**	**(40,992)**

The summary financial information on TTY International Co., Ltd. and TOT Biopharm International Company Limited, which were disposed of in December 2015, is as follows:

	December 31, 2015			December 31, 2014	
	Shareholding ratio		**Amount**	**Shareholding ratio**	**Amount**
TTY International Co., Ltd.	- %	$	-	40.00%	516,425
TOT Biopharm International Company Limited	- %		-	40.91%	402,829
		$	**-**		**919,254**

The Group's recognition of investment gain or loss on TTY International Co., Ltd. and TOT Biopharm International Company Limited was based on the valuation in the audited financial statements for the same period. The profit or loss on associates attributable to the Group was as follows:

		For the Years Ended December 31	
		2015	**2014**
Profit or loss	**$**	**(88,220)**	**(50,198)**
Other comprehensive income	**$**	**(25,311)**	**14,041**

C. Collateral

As of December 31, 2015 and 2014, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(8) Subsidiary with significant non-controlling interest

Subsidiary	Country of registration	Ownership and voting rights ratio	
		2015.12.31	2014.12.31
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 differences in accounting policies. The amounts have not yet been eliminated from intra-group transactions. Information on the aforementioned subsidiary is as follows:

Summary financial information on TSH Biopharm Co., Ltd.

	December 31, 2015	December 31, 2014
Current assets	$ 955,275	892,891
Noncurrent assets	505,955	211,383
Current liabilities	(98,741)	(99,728)
Net assets	**$ 1,362,489**	**1,004,546**
Non-controlling interests	**$ 592,948**	**437,171**

	For the Years Ended December 31	
	2015	2014
Revenue	**$ 513,651**	**561,714**
Profit for the year	$ 82,890	74,440
Other comprehensive income	351,849	-
Comprehensive income	**$ 434,739**	**74,440**
Profit attributable to non-controlling interests	**$ 36,074**	**32,397**
Comprehensive income attributable to non-controlling interests	**$ 189,199**	**32,397**
Cash flows from operating activities	$ 74,708	86,511
Cash flows from investing activities	58,019	(72,974)
Cash flows from financing activities	(76,796)	(107,515)
Net increase (decrease) in cash	**$ 55,931**	**(93,978)**
Dividends paid to non-controlling interests	**$ 33,422**	**46,791**

(9) 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, 2015 and 2014 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, 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 movements in exchange rates		-	-	-	-	(29)	-	-	(29)
Balance on December 31, 2015	**$**	**816,169**	**783,796**	**403,143**	**4,371**	**358,038**	**6,298**	**546,098**	**2,917,913**
Balance on January 1, 2014	$	816,169	754,397	355,094	7,206	312,300	13,175	89,103	2,347,444
Additions		-	10,991	8,083	516	14,185	160	397,128	431,063
Disposals		-	(876)	(25,423)	(3,314)	(4,494)	-	-	(34,107)
Reclassifications		-	16,179	61,157	-	20,117	(7,043)	-	90,410
Effect of movements in exchange rates		-	-	-	-	86	6	-	92
Balance on December 31, 2014	**$**	**816,169**	**780,691**	**398,911**	**4,408**	**342,194**	**6,298**	**486,231**	**2,834,902**
Depreciation:									
Balance on January 1, 2015	**$**	-	142,897	177,800	1,477	208,956	1,487	-	532,617
Depreciation for the year		-	32,440	32,895	397	30,115	574	-	96,421
Disposals		-	(1,614)	(2,986)	(38)	(1,994)	-	-	(6,632)
Effect of movements in exchange rates		-	-	-	-	(20)	-	-	(20)
Balance on December 31, 2015	**$**	**-**	**173,723**	**207,709**	**1,836**	**237,057**	**2,061**	**-**	**622,386**
Balance on January 1, 2014	**$**	-	112,229	168,397	4,208	181,184	982	-	467,000
Depreciation for the year		-	31,494	33,262	387	30,854	555	-	96,552
Disposals		-	(727)	(25,099)	(3,118)	(2,056)	-	-	(31,000)
Reclassifications		-	(99)	1,240	-	(1,086)	(55)	-	-
Effect of movements in exchange rates		-	-	-	-	60	5	-	65
Balance on December 31, 2014	**$**	**-**	**142,897**	**177,800**	**1,477**	**208,956**	**1,487**	**-**	**532,617**
Carrying amounts:									
Balance on December 31, 2015	**$**	**816,169**	**610,073**	**195,434**	**2,535**	**120,981**	**4,237**	**546,098**	**2,295,527**
Balance on December 31, 2014	**$**	**816,169**	**637,794**	**221,111**	**2,931**	**133,238**	**4,811**	**486,231**	**2,302,285**
Balance on January 1, 2014	**$**	**816,169**	**642,168**	**186,697**	**2,998**	**131,116**	**12,193**	**89,103**	**1,880,444**

A. As of December 31, 2015 and 2014, the property, plant and equipment were not pledged as collateral.

B. Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to $546,098, including capitalized loan cost. For the year ended December 31, 2014, relevant capitalized loan cost for construction of new plant amounted to $2,796, calculated at a capitalization rate of 1.2%. The capitalized loan cost amounted to $0 for the year ended December 31, 2015.

(10) Investment property

		Land	Building and construction	Total
Cost or deemed cost:				
Balance on January 1, 2015	**$**	**69,152**	**15,526**	**84,678**
Balance on December 31, 2015	**$**	**69,152**	**15,526**	**84,678**
Balance on January 1, 2014	**$**	**69,152**	**15,526**	**84,678**
Balance on December 31, 2014	**$**	**69,152**	**15,526**	**84,678**
Depreciation and impairment loss:				
Balance on January 1, 2015	$	-	5,969	5,969
Depreciation		-	355	355
Balance on December 31, 2015	**$**	**-**	**6,324**	**6,324**
Balance on January 1, 2014	$	-	5,614	5,614
Depreciation		-	355	355
Balance on December 31, 2014	**$**	**-**	**5,969**	**5,969**
Carrying amount:				
Balance on December 31, 2015	**$**	**69,152**	**9,202**	**78,354**
Balance on January 1, 2014	**$**	**69,152**	**9,912**	**79,064**
Balance on December 31, 2014	**$**	**69,152**	**9,557**	**78,709**
Fair value:				
Balance on December 31, 2015				**$ 126,947**
Balance on December 31, 2014				**$ 174,124**

A. The fair value of investment property was evaluated based on recent market transactions on arm's-length terms.

B. The Group's investment properties were pledged as collateral for the years ended December 31, 2015 and 2014. Please refer to Note 8 for details.

(11) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the years ended December 31, 2015 and 2014, were as follows:

		Computer software	Patent and franchise	Total
Cost:				
Balance on January 1, 2015	$	37,790	101,047	138,837
Additions		8,224	-	8,224
Disposals		(8,915)	(13,424)	(22,339)
		Computer software	**Patent and franchise**	**Total**
Effect of movements in exchange rates		-	(231)	(231)
Balance on December 31, 2015	**$**	**37,099**	**87,392**	**124,491**
Balance on January 1, 2014	$	43,186	119,134	162,320
Additions		3,273	196	3,469
Disposals		(8,669)	(18,752)	(27,421)
Effect of movements in exchange rates		-	469	469
Balance on December 31, 2014	**$**	**37,790**	**101,047**	**138,837**
Amortization and impairment loss:				
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 movements in exchange rates		-	(90)	(90)
Balance on December 31, 2015	**$**	**18,463**	**55,248**	**73,711**
Balance on January 1, 2014	$	20,467	54,063	74,530
Amortization for the year		9,413	17,640	27,053
Disposals		(8,669)	(18,752)	(27,421)
Effect of movements in exchange rates		-	125	125
Balance on December 31, 2014	**$**	**21,211**	**53,076**	**74,287**
Carrying amount:				
Balance on December 31, 2015	**$**	**18,636**	**32,144**	**50,780**
Balance on January 1, 2014	**$**	**22,719**	**65,071**	**87,790**
Balance on December 31, 2014	**$**	**16,579**	**47,971**	**64,550**

Amortization expenses for intangible assets for the years ended December 31, 2015 and 2014, that were recorded as operating cost and operating expenses, respectively, were as follows:

		For the Years Ended December 31	
		2015	**2014**
Operating cost	$	29	-
Operating expenses		21,824	27,053
	$	**21,853**	**27,053**

As of December 31, 2015 and 2014, the aforementioned intangible assets were not pledged as collateral.

(12) Short-term loans

		December 31, 2015	December 31, 2014
Bank fiduciary loans	$	1,200,000	1,740,000
Unused credit line	$	1,635,000	995,000
Interest rate for bank loans		0.98%~1.15%	1%~1.25%

A. The Group's assets were pledged as guarantee for the Group's credit loan facility. Please refer to Note 8 for details.

B. Please refer to Note 6(22) for relevant information about exposure to interest rate risk and liquidity risk.

(13) Long-term loans

	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				$	-

(14) Employee benefits

A. Defined benefit plans

The Group's defined benefit obligations and fair value of plan assets were as follows:

		December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$	113,021	103,894
Fair value of plan assets		(70,546)	(66,523)
Net defined benefit liabilities (assets)	$	42,475	37,371

The following are the details for the employee benefit liability:

		December 31, 2015	December 31, 2014
Long-term leave liability	$	**11,921**	**12,241**

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.

(a) Composition of plan assets

The Group sets aside 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. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

As of the reporting date, the balance of the Group's pension fund account with Bank of Taiwan was $70,546. 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.

(b) Movements in present value of the defined benefit obligation

The movements in the present value of the defined benefit obligation for the years ended December 31, 2015 and 2014, were as follows:

		For the Years Ended December 31	
		2015	2014
Defined benefit obligation, January 1	$	103,894	115,096
Current service costs and interest		2,777	3,219
Re-measurement of the net defined benefit liability (asset)			
Return on plan assets (without interest for the year)		6,350	(10,069)
Past service cost and profit or loss from settlement		-	(4,352)
Defined benefit obligation, December 31	$	**113,021**	**103,894**

(c) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2015 and 2014, were as follows:

		For the Years Ended December 31	
		2015	**2014**
Fair value of plan assets, January 1	$	66,523	66,397
Interest revenue		-	855
Re-measurement of the net defined benefit liability (asset)			
Return on plan assets (without interest for the year)		1,762	731
Contributions made		2,261	2,892
Benefits paid by the plan		-	(4,352)
Fair value of plan assets, December 31	**$**	**70,546**	**66,523**

(d) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2015 and 2014, were as follows:

		For the Years Ended December 31	
		2015	**2014**
Current service cost	$	1,246	1,544
Net interest on net defined benefit liability (asset)		1,531	1,675
Estimated return on plan assets		(866)	(855)
	$	**1,911**	**2,364**
Operating cost	$	704	946
Selling expense		439	568
Administrative expense		481	485
Research and development expense		287	365
	$	**1,911**	**2,364**

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

The Group's net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2015 and 2014, was as follows:

		For the Years Ended December 31	
		2015	2014
Cumulative amount, January 1	$	(10,800)	-
Recognized during the year		5,454	(10,800)
Cumulative amount, December 31	**$**	**(5,346)**	**(10,800)**

(f) Actuarial assumptions

The following were the key actuarial assumptions to determine the present value of the defined benefit plan at the reporting date:

	December 31, 2015	December 31, 2014
Discount rate	1.58%	1.85%
Future salary increases	3.00%	3.00%

Based on the actuarial report, the Group is expected to make a contribution payment of $2,261 to the defined benefit plan for the one-year period after the reporting date.

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

(g) Sensitivity analysis

In determining the present value of the defined benefit obligation, the Group's management makes judgments and estimates in determining certain actuarial assumptions on the balance sheet date, which include discount rate and future salary changes. Changes in actuarial assumptions may have significant impact on the amount of the defined benefit obligation.

As of December 31, 2015, the changes in the principal actuarial assumptions that could impact the present value of the defined benefit obligation were as follows:

		Impact on present value of defined benefit obligation	
		Increase by 0.50%	Decrease by 0.50%
December 31, 2015			
Discount rate	$	(5,533)	5,961
Future salary increase		5,306	(4,995)

The sensitivity analysis assumes all other variables remain constant during the measurement. This may not be representative of the actual change in the defined benefit obligation as some of the variables may be correlated. The model used in the sensitivity analysis is the same as that used for the defined benefit obligation liability.

The analysis was performed on the same basis for the prior year.

B. Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account 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 cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2015 and 2014, amounted to $22,529 and $22,623, respectively.

(15) Taxes

A. Income tax expense (benefit)

The components of income tax expense for the years ended December 31, 2015 and 2014, were as follows:

		For the Years Ended December 31	
		2015	**2014**
Current income tax expense			
Currently incurred	$	187,330	99,964
Adjustment to prior year's income tax charged to current income tax		(1,802)	25
		185,528	99,989
Deferred income tax expense			
Occurrence and reversal of temporary difference		93,475	(1,844)
Income tax expense	**$**	**279,003**	**98,145**

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

		For the Years Ended December 31	
		2015	**2014**
Foreign currency translation differences－foreign operations	$	1,746	(3,278)
Share of other comprehensive income of associates and joint ventures accounted for under equity method		4,309	(2,387)
	$	**6,055**	**(5,665)**

Income tax calculated on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2015 and 2014, as follows:

	For the Years Ended December 31	
	2015	**2014**
Profit before income tax	$ 1,525,595	909,840
Income tax on pre-tax financial income calculated at the domestic rate	$ 290,472	162,100
Non-deductible expenses	6,341	28,158
Gains derived from securities transactions	(7,909)	(82,248)
Tax exemption	(8,370)	(19,265)
Underestimation from prior period	1,802	25
10% surtax on undistributed earnings	8,006	-
Basic income tax	2,812	18,582
Others	(14,151)	(9,207)
	$ 279,003	**98,145**

B. Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2015 and 2014, were as follows:

	Gain on foreign investments	Reserve for land revaluation increment tax	Total
Deferred tax liabilities:			
Balance, January 1, 2015	$ 169,127	60,871	229,998
Recognized in loss	92,542	-	92,542
Recognized in other comprehensive income	(6,055)	-	(6,055)
Balance, December 31, 2015	**$ 255,614**	**60,871**	**316,485**
Balance, January 1, 2014	$ 166,173	60,871	227,044
Recognized in profit	(2,711)	-	(2,711)
Recognized in other comprehensive income	5,665	-	5,665
Balance, December 31, 2014	**$ 169,127**	**60,871**	**229,998**

		Defined benefit plan	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:					
Balance, January 1, 2015	$	5,915	4,791	17,088	27,794
Recognized in profit (loss)		(59)	(1,284)	410	(933)
Exchange differences on translation		-	-	(20)	(20)
Balance, December 31, 2015	$	**5,856**	**3,507**	**17,478**	**26,841**
Balance, January 1, 2014	$	5,965	4,611	17,930	28,506
Recognized in profit (loss)		(50)	180	(997)	(867)
Exchange differences on translation		-	-	155	155
Balance, December 31, 2014	$	**5,915**	**4,791**	**17,088**	**27,794**

C. Status of approval of income tax

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

D. Stockholders' imputation tax credit account and tax rate

		December 31, 2015	December 31, 2014
Undistributed earnings since 1998	$	**1,288,140**	**780,767**
Stockholders' imputation tax credit account	$	**54,959**	**47,869**

	2015 (expected)	2014 (actual)
Tax deduction ratio for earnings distributable to R.O.C. residents	**12.64%**	**11.76%**

The aforesaid imputation tax-related information was prepared in accordance with Decree No. 10204562810 issued by the Taxation Administration, Ministry of Finance, R.O.C., on October 17, 2013.

(16) Share capital and other interests

As of December 31, 2015 and 2014, the authorized capital of the Group 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.

The movements in ordinary shares of stock outstanding for the years ended December 31, 2015 and 2014, were as follows:

	For the Years Ended December 31	
Ordinary shares (in thousands of shares)	**2015**	**2014**
Beginning balance, January 1	248,650	233,037
Common stock dividends	-	15,613
Ending balance, December 31	**248,650**	**248,650**

A. Nominal ordinary shares

The Group issued 15,613 thousand shares in exchange for earnings of $156,135 according to a resolution of a stockholders' meeting on June 24, 2014, and finished the registration procedure.

B. Capital surplus

The components of capital surplus were as follows:

		December 31, 2015	December 31, 2014
From issuance of share capital	$	484	484
From long-term investment		373,501	377,523
	$	**373,985**	**378,007**

In accordance with the Company Act amended in 2012, realized capital reserves can only be capitalized or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves that can be capitalized shall not exceed 10 percent of the actual share capital amount.

C. Retained earnings

The Company's articles of incorporation require that after-tax earnings first be offset against any deficit, and 10% of the balance be set aside as legal reserve. Aside from the aforesaid legal reserve, the Company may, under its articles of incorporation, appropriate or reverse a special reserve. The remaining balance of the earnings, if any, is distributed as follows:

(a) 2% as remuneration for directors and supervisors.

(b) 2%-8% as employee bonuses.

The remaining earnings, if any, may be appropriated according to a resolution of a stockholders' meeting.

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.

In accordance with the Company Act amended in 2015, employee bonuses and directors' and supervisors' remuneration are no longer distributed from earnings. The Company will amend its articles of incorporation in this regard before the date prescribed by the Authority.

(a) 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.

(b) 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 Financial Supervisory Commission 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, 2015 and 2014, 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.

(c) Earnings distribution

For the year ended December 31, 2014, employee bonuses and directors' and supervisors' remuneration of $14,034 and $14,034, respectively, were approved for distribution. The distributions agreed with those accrued in the consolidated financial statements for the year ended December 31, 2014.

On June 16, 2015, and June 24, 2014, the Group's shareholders' meeting resolved to appropriate the 2014 and 2013 earnings. These earnings were distributed as dividends as follows:

	2014		2013	
	Amount per share (dollars)	**Amount**	**Amount per share (dollars)**	**Amount**
Dividends to ordinary shareholders:				
Cash	$ 2.50	621,625	2.00	466,072
Stock	-	-	0.67	156,135
Total		$ **621,625**		**622,207**

D. Other equity accounts (net of tax)

	Exchange differences on translation of foreign financial statements	**Available-for-sale investments**	**Total**
Balance, January 1, 2015	$ 45,724	(10,821)	34,903
Exchange differences on translation of foreign operations	(8,526)	-	(8,526)
Share of exchange differences of subsidiaries and associates accounted for using equity method	(21,038)	-	(21,038)
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**

		Exchange differences on translation of foreign financial statements	Available-for-sale investments	Total
Balance, January 1, 2014	$	18,066	-	18,066
Share of exchange differences of subsidiaries and associates accounted for using equity method		16,004	-	16,004
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method		11,654	(10,821)	833
Balance, December 31, 2014	**$**	**45,724**	**(10,821)**	**34,903**

E. Non-controlling interests

		For the Years Ended December 31,	
		2015	2014
Balance, January 1	$	437,562	451,103
Attributable to non-controlling interests			
Profit for the year		35,574	32,050
Foreign currency translation differences－foreign operations		13	33
Unrealized (loss) gain on available-for-sale financial assets		153,124	-
Capital increase by cash		798	1,167
Cash dividends received		(33,422)	(46,791)
Balance, December 31	**$**	**593,649**	**437,562**

(17) Earnings per share

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

		For the Years Ended December 31	
		2015	2014
Basic earnings per share			
Profit attributable to ordinary shareholders	$	**1,211,018**	**779,645**
Weighted-average number of ordinary shares		248,650	248,650
	$	**4.87**	**3.14**

		For the Years Ended December 31	
		2015	2014
Diluted earnings per share			
Profit attributable to ordinary shareholders (diluted)	$	**1,211,018**	**779,645**
Weighted-average number of ordinary shares		248,650	248,650
Effect of potentially dilutive ordinary shares			
Employee stock bonus		281	258
Weighted-average number of ordinary shares (diluted)		**248,931**	**248,908**
	$	**4.86**	**3.13**

(18) Revenue

		For the Years Ended December 31	
		2015	2014
Sale of goods	$	3,124,858	2,908,455
Service		70,360	71,447
	$	**3,195,218**	**2,979,902**

(19) Remuneration for employees, and directors and supervisors

Based on the Company's amended articles of incorporation which have been approved by the Board of Directors but have not been approved by the shareholders' meeting, remuneration for employees, and 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, 2015, remuneration for employees, and directors and supervisors of $22,373 and $21,468, respectively, was estimated and recognized as current expense. These amounts were calculated using the Company's profit before tax before remuneration for employees, and directors and supervisors for the year ended December 31, 2015. These benefits were charged to profit or loss under operating expenses for the year ended December 31, 2015. Management expects that 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.

(20) Non-operating income and expenses

A. Other income

	For the Years Ended December 31	
	2015	2014
Interest income	$ 9,660	9,879
Rental income	11,743	13,730
Other income	41,912	79,179
	$ 63,315	**102,788**

B. Other gains and losses

	For the Years Ended December 31	
	2015	2014
Foreign exchange gain	$ 27,568	18,519
Gain on disposal of investment	655,796	483,809
Gain (loss) on disposal of property, plant and equipment	(59)	673
Other	14,934	(4,252)
	$ 698,239	**498,749**

C. Finance costs

	For the Years Ended December 31	
	2015	2014
Interest expenses	**$ 25,362**	**19,234**

(21) Reclassification of other comprehensive income

	For the Years Ended December 31	
	2015	2014
Share of other comprehensive income of associates and joint ventures accounted for under equity method:		
Profit (loss) for the year	$ 31,577	3,220
Less: adjustment for gains recognized in profit	(25,311)	-
Net profit (loss) recognized in other comprehensive income	**$ 6,266**	**3,220**
Net fair value change in available-for-sale financial assets recognized in:		
Other comprehensive income	$ 522,706	-
Profit or loss	(46,522)	-
Net fair value change recognized in other comprehensive income	**$ 476,184**	-

(22) Financial instruments

A. Credit risk

(a) Exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure. Such maximum credit exposure on December 31, 2015 and 2014, amounted to $4,416,625 and $2,272,990, respectively, of accounts receivable.

(b) 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, 2015 and 2014, the accounts receivable from the Group's top ten customers represented 60% and 33%, respectively, of accounts receivable. Except for the Group's biggest client, company A, the Group is not exposed to a single counterparty or to a group of counterparties which have similar credit risk characteristics. As of December 31, 2015 and 2014, the Group's concentration credit risk with company A represented 37% and 0%, respectively, of accounts receivable.

B. 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, 2015						
Non-derivative financial liabilities						
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**	**-**

		Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2014						
Unsecured bank loans	$	1,740,000	1,744,005	1,744,005	-	-
Non-interest-bearing liabilities (including related parties)		603,101	603,101	603,101	-	-
	$	**2,343,101**	**2,347,106**	**2,347,106**	**-**	**-**

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

C. Currency risk

(a) Exposure to currency risk

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

	December 31, 2015			December 31, 2014		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 43,238	32.83	1,419,501	8,536	31.41	268,116
CNY	22,626	5.00	113,017	40,260	5.07	204,118
JPY	42,891	0.27	11,696	-	-	-
PHP	11,058	0.72	7,931	3,119	0.96	2,994
Nonmonetary items						
USD	556	32.83	18,251	409	31.41	12,847
CNY	-	-	-	45,546	5.07	230,918
THB	199,805	0.91	182,742	150,094	0.96	144,090
Financial liabilities						
Monetary items						
USD	-	-	-	2,824	31.41	88,702
PHP	26,873	0.72	19,273	21,701	0.96	20,833

(b) 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, 2015 and 2014, would have increased or decreased the after-tax net income by $13,446 and $1,940, respectively. The analysis is performed on the same basis for both periods.

(c) 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, 2015 and 2014, the foreign exchange gain, including both realized and unrealized, amounted to $27,568 and $18,519, respectively.

D. 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 rate. 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 $2,170 and $872 for the years ended December 31, 2015 and 2014, respectively, assuming all other variable factors remained constant.

E. 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):

(a) Categories of financial instruments

	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**	-	-	-	-

	December 31, 2014				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets carried at cost	$ 100,048	-	-	-	-
Loans and receivables					
Cash and cash equivalents	854,228	-	-	-	-
Notes receivable and accounts receivable (including related party)	735,344	-	-	-	-
Other receivables (including related party)	49,879	-	-	-	-
Other financial assets	496,199	-	-	-	-
Cash surrender value of life insurance	8,484	-	-	-	-
Refundable deposits	28,808	-	-	-	-
Total	**$ 2,272,990**	-	-	-	-
Financial liabilities measured at amortized cost					
Bank loans	$ 1,740,000	-	-	-	-
Notes payable and accounts payable (including related party	156,999	-	-	-	-
Other payables (including related party)	446,102	-	-	-	-
Guarantee deposit received	1,461	-	-	-	-
Total	**$ 2,344,562**	-	-	-	-

(b) 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:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- 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).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) 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.

(d) 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.

(e) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended in December 31, 2015 and 2014, so there was no transfer between levels.

(23) Financial risk management

A. 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 financial statements.

B. 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.

C. 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.

(a) 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 does not have any collateral or other credit enhancement in order to avoid credit risk of financial instruments.

(b) 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.

(c) Guarantees

The Group did not provide any endorsement or guarantee as of December 31, 2015 and 2014.

D. 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.

E. 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..

(24) 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's debt-to-equity ratios at the balance sheet date were as follows:

		December 31, 2015	December 31, 2014
Total liabilities	$	3,109,764	2,741,594
Less: cash and cash equivalents		(1,710,524)	(854,228)
Net debt		1,399,240	1,887,366
Total capital		5,694,950	4,632,440
Adjusted capital	**$**	**7,094,190**	**6,519,806**
Debt-to-equity ratio		**19.72%**	**28.95%**

7. RELATED-PARTY TRANSACTIONS

(1) Ultimate parent company

The Company is the ultimate parent company.

(2) Significant transactions with related parties

A. Operating revenue and processing income

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

			For the Years Ended December 31	
Recognized item	**Category**		**2015**	**2014**
Operating revenue	Associates	$	61,331	66,631
	Other related parties		9,425	26,640
		$	**70,756**	**93,271**

(a) 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.

(b) 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.

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

B. Service revenue

		For the Years Ended December 31	
Recognized item	**Category**	**2015**	**2014**
Service revenue	Other related parties	**$ 6,990**	**9,802**

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

C. Purchase of goods from related parties

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

		For the Years Ended December 31	
Recognized item	**Category**	**2015**	**2014**
Purchases	Other related parties	**$ 32,703**	**33,963**

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.

D. Rental revenue

		For the Years Ended December 31	
Recognized item	**Category**	**2015**	**2014**
Rental revenue	Associates	$ 1,924	2,591
	Other related parties	2,038	1,551
		$ 3,962	**4,142**

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

E. Other income

		For the Years Ended December 31	
Recognized item	**Category**	**2015**	**2014**
Other income	Associates	$ 7,845	10,744
	Other related parties	357	1,936
		$ 8,202	**12,680**

(a) Based on management services agreements, associates pay the Company for human resource services, daily accounting tasks, marketing plans, or new drug development.

(b) The credit term for revenue from human resource services and daily accounting tasks is three months.

F. Research expense

Recognized item	Category		For the Years Ended December 31 2015	2014
Research expense	Associates	$	-	2,102
	Other related parties		19,272	24,314
		$	**19,272**	**26,416**

There were no significant differences between the terms with related parties and those with other clients.

G. Other transactions

(a) The Group provided related parties with human resource and research and development services for the year ended December 31, 2014, and charged each subsidiary and associate. It was recognized as contra-operating expense of $7,197.

(b) 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.

(3) Liabilities with related parties

Recognized item	Category		December 31, 2015	December 31, 2014
Notes receivable	Associates	$	-	202
	Other related parties		461	1,939
		$	**461**	**2,141**
Accounts receivable	Associates	$	22,529	14,636
	Other related parties		310	3,564
		$	**22,839**	**18,200**
Other receivables	Associates	$	18,101	25,601
	Other related parties		60,089	260
		$	**78,190**	**25,861**
Guarantee deposit received	Other related parties	$	**4,708**	**6,380**
Accounts payable	Other related parties	$	**4,814**	**4,987**
Other payables	Associates	$	3,240	1,818
	Other related parties		1,577	3,184
		$	**4,817**	**5,002**

(4) Key management personnel compensation:

		For the Years Ended December 31	
		2015	**2014**
Salaries and other short-term employee benefits	$	72,179	58,175
Post-employment benefits		1,122	972
	$	**73,301**	**59,147**

8. PLEDGED ASSETS

As of December 31, 2015 and 2014, pledged assets were as follows:

Asset	Purpose of pledge		December 31, 2015	December 31, 2014
Investment property	Bank loans, letters of credit	$	60,881	61,467
Other financial asset— current	Grants for research and development project		1,525	532
Other financial asset— other— noncurrent	Provisional guarantee		120,010	-
		$	**182,416**	**61,999**

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(1) 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 was $33,922 and $33,382 for the years ended December 31, 2015 and 2014, respectively.

(2) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to $906,331 and $956,188, and the unpaid amount was $188,084 and $217,649 as of December 31, 2015 and 2014, respectively.

(3) As of December 31, 2015 and 2014, guaranteed notes for bank loans, the sale of medicine, and research and development were $0 and $75,580, respectively.

(4) As of December 31, 2015 and 2014, performance bonds from financial institutions for the sale of medicine were $31,106 and $13,032, respectively.

(5) In June 2015, the Taipei District Prosecutors Office filed a lawsuit against the ex-chairman of the Company, 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 Group cannot predict the result of the lawsuit.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS

Under Article 10 of the Securities Investor and Futures Trader Protection Act, the Group's ex-chairman, Rong-Jin Lin, was sued by the Securities and Futures Investors Protection Center for his discharge from the office of chairman of the board on January 19, 2016. The suit is being heard by the Taiwan Taipei District Court now.

12. OTHERS

(1) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

	For the year ended December 31, 2015			For the year ended December 31, 2014		
By item	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	$ 188,486	433,981	622,467	164,640	498,134	662,774
Health and labor insurance	13,580	29,754	43,334	12,713	32,504	45,217
Pension	7,239	17,228	24,467	6,942	18,281	25,223
Others	5,821	85,008	90,829	4,014	54,448	58,462
Depreciation	59,418	37,358	96,776	58,849	38,058	96,907
Amortization	29	21,824	21,853	-	27,053	27,053

(2) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

(3) Others:

(a) The Group donated $51,446 and $126,239 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2015 and 2014, respectively.

(b) 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 $12,444 had been received, and the actual expenditure amounted to $10,923 as of December 31, 2015.

(c) 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 $8,666 had been received, and the actual expenditure amounted to $8,666, as of December 31, 2015.

(d) The Company signed a grant agreement, "The Integration Project of RTIA07 Antibody Drug Development and Platform Technique", with the Ministry of Economic Affairs in September 2010. The total budget for the project amounted to $167,955, and the period was from August 1, 2010, to October 31, 2015. The grant for the project amounted to $75,580. The Ministry of Economic Affairs agreed to close the project early on February 17, 2015, and the actual grant amounted to $64,485.

13. ADDITIONAL DISCLOSURES

(1) 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 for 2015:

(a) Loans extended to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year (Note 4)	Ending balance (Note 5)	Amount actually drawn	Interest rate	Nature of financing (Note 1)	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company (Note 2)	Maximum financing limit for the lender (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	Receivables from related parties	YES	116,119	93,222 CNY18,663	93,222 CNY18,663	0.5%	2	-	Operating capital	-	-	-	252,497 CNY50,549	252,497 CNY50,549
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	YES	98,610	98,475 USD3,000	98,475 USD3,000	0.8%	2	-	Operating capital	-	-	-	100,999 CNY20,220	100,999 CNY20,220
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	YES	403,850	328,250 USD10,000	328,250 USD10,000	0.8%	2	-	Operating capital	-	-	-	609,675	609,675

The exchange rate of USD to NTD as of the reporting date is 1:32.825, and the average exchange rate of USD to NTD as of the reporting date is 1:31.716.

The exchange rate of CNY to NTD as of the reporting date is 1:4.995, and the average exchange rate of CNY to NTD as of the reporting date is 1:5.04.

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, 2015.

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.

(b) Guarantees and endorsements for other parties: None.

(c) Securities held as of December 31, 2015 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars/Thousand Shares)

Name of holder	Category and name of securities	Relationship with the security issuer	Recorded account	Ending balance				Interim highest holding	Note
				Shares	Carrying value	Holding percentage	Fair value		
The Company	Lumosa Therapeutics Co., Ltd.	A director of the Company is its chairman.	Available-for-sale financial assets – non-current	1,600	134,384	1.90%	134,384	1.90%	-
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd.	A director of the parent company is its chairman.	Available-for-sale financial assets – non-current	5,100	428,340	6.05%	428,349	7.67%	-

(d) The accumulated purchase or sale of securities exceeding NT$300 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars/Thousand shares)

Name of holder	Category and name of securities	Account name	Counter-party of transaction	Relationship	Beginning balance		Purchases		Sales				Ending balance	
					Shares	Amount	Shares	Amount	Shares	Price (Note 1)	Carrying value (Note 2)	Gain (loss) on disposal	Shares	Amount
Xudong Haipu International Co., Ltd.	Ordinary shares; TTY International Co., Ltd.	Investments accounted for using equity method	GL SAINO Investment Limited	-	111	516,425	-	-	111	629,075	509,453	119,623	-	-
〃	Ordinary shares; TOT Biopharm International Company Limited	〃	Center Laboratories, Inc., Vivo Capital Fund VIII, L.P., Vivo Capital Surplus Fund VIII, L.P., JunXin International Limited, Formosa Laboratories, Inc., and Mirui Mengdi Investment Limited	-	23,932	402,829	-	-	23,932	785,921	296,270	489,651	-	-

Note 1:The price is after deducting related transaction tax and processing fee.

Note 2:Including investment income and loss, and change in other equity.

(e) Acquisition of real estate which exceeds NT$300 million or 20% of the paid-in capital: None.

(f) Disposal of real estate which exceeds NT$300 million or 20% of the paid-in capital: None.

(g) Total purchases from and sales to related parties which exceed NT$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	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 (Note 1)	Percentage of total notes/accounts receivable (payable)	
The Company	TSH Biopharm Co., Ltd.	Subsidiary	Sale	127,692	4.00%	30 days	Normal	-	5,581	0.58%	

(h) Receivables from related parties which exceed NT$100 million or 20% of the paid-in capital: None.

(i) Trading in derivative instruments: None.

(j) Business relationships and significant intercompany transactions:

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	Other short-term loans	328,250	By contract	3.73%
0	〃	Worldco International Co., Ltd.	1	Other short-term loans	98,475	〃	1.12%
0	〃	〃	1	Other payables	11,238	〃	0.13%
0	〃	〃	1	Commission income	5,256	〃	0.16%
0	〃	TSH Biopharm Co., Ltd.	1	Accounts receivable	5,581	〃	0.06%
0	〃	〃	1	Other receivables	5,921	〃	0.07%
0	〃	〃	1	Sale	127,692	〃	4.00%
0	〃	〃	1	Service revenue	2,241	〃	0.07%
0	〃	〃	1	Rental income	3,217	〃	0.10%
0	〃	〃	1	Other income	5,795	〃	0.18%
0	〃	American Taiwan Biopharma Phils Inc.	1	Accounts receivable	3,906	〃	0.04%
0	〃	〃	1	Other receivables	3,004	〃	0.03%
0	〃	〃	1	Sale	4,667	〃	0.15%

Note 1:The numbering is as follows:

1."0" represents the parent company.

2.Subsidiaries are sequentially numbered from 1 by company.

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.

(2) Information on investees

The following is the information on investees for the year ended December 31, 2015:

(In Thousands of New Taiwan Dollars/Thousand Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2015			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2015	December 31, 2014	Shares	Percentage of ownership	Carrying value			
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00%	1,524,187	512,806	512,806	Subsidiary
〃	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00%	176,334	54,090	21,636	Investments accounted for using equity method
〃	American Taiwan Biopharma Phils	Philippines	Selling chemical medicine	32,904	21,059	459	87.00%	3,055	(3,844)	(3,343)	Subsidiary
〃	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	371,070	371,070	19,701	19.32%	610,352	394,022	76,152	Investments accounted for using equity method
〃	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00%	16,988	26,371	10,549	Investments accounted for using equity method
〃	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00%	252,497	8,555	8,555	Subsidiary
〃	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48%	768,231	82,890	46,817	Subsidiary

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2015			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2015	December 31, 2014	Shares	Percentage of ownership	Carrying value			
The Company	CY Biotech Co., Ltd.	Taiwan	Selling functional food	57,000	57,000	5,700	27.84%	42,018	(36,811)	(10,248)	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	TTY International Co., Ltd.	Hong Kong	Investing activities	-	121,599	-	-%	-	36,172	12,272	Note 1
〃	TOT Biopharm International Company Limited	Hong Kong	Investing activities	-	709,728	-	-%	-	(245,641)	(100,492)	Note 1
TSH Biopharm Co., Ltd.	Pharmira Laboratories, Inc.	Taiwan	Developing biotechnology	70,000	70,000	5,250	31.82%	55,582	(25,127)	(10,251)	Investments accounted for using equity method

Note 1: In December 2015, Xudong Haipu International Co., Ltd. disposed of 40% of ownership in TTY International Co., Ltd. and 40.91% of ownership in TOT Biopharm International Company Limited.

(3) Information on investment in Mainland China

(a) Information on investees in Mainland China:

(In Thousands of New Taiwan Dollars/Foreign Currencies)

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, 2015	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2015	Net income (losses) of the investee	Holding percentage	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Shanghai Xudong Haipu Pharmaceutical Co., Ltd.	Producing and selling Eastern and chemical medicine	311,115 USD 9,478	(2)	121,599	-	121,599	-	73,179	22%	16,099	- (Note 4)	58,414
Worldco Biotech Pharmaceutical Ltd.	Marketing consulting regarding chemical medicine	334,815 USD 10,200	(2)	323,433	-	-	323,433	(6,522) CNY(1,294)	100%	(6,522) CNY(1,294)	(110,015) CNY(22,025)	-
Chengdu Shuyu Pharmaceutical Co., Ltd.	Selling chemical medicine	59,441 CNY 11,900	(2)	100,549 CNY 20,130	-	-	100,549 CNY 20,130	(318) CNY (63)	100%	(318) CNY (63)	64,421 CNY 12,897	-
Jiang Su Biopharm Tech Co., Ltd.	Selling and developing medicine	65,650 USD 2,000	(2)	27,542 USD 849	-	27,542 USD849	-	(1,586) CNY (315)	40.91%	(649) CNY (129)	- (Note 4)	-
TOT Shanghai R&D Center Co., Ltd.	Developing medicine	122,437 USD3,730	(2)	54,305 USD1,674	-	54,305 USD1,674	-	(7,104) CNY(1,411)	40.91%	(2,906) CNY(577)	- (Note 4)	-
TOT Biopharm Company Limited	Producing and developing medicine	1,759,157 USD53,592	(2)	596,932 USD18,401	-	596,932 USD18,401	-	(217,594) CNY(43,218)	40.91%	(89,018) CNY(17,680)	- (Note 4)	-

The exchange rate of USD to NTD as of the reporting date is 1:32.825, and the average exchange reate of USD to NTD as of the reporting date is 1:31.716.

The exchange rate of CNY to NTD as of the reporting date is 1:4.995, and the average exchange reate of CNY to NTD as of the reporting date is 1:5.04.

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.

Note 4: Shanghai Xudong Haipu Pharmaceutical Co., Ltd., Jiang Su Biopharm Tech Co., Ltd., TOT Shanghai R&D Center Co., Ltd. and TOT Biopharm Company Limited were disposed of by Xudong Haipu International Co., Ltd. in December 2015.

(b) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2015	**Investment Amounts Authorized by Investment Commission, MOEA**	**Upper Limit on Investment**
NTD 423,982	1,533,837 (USD 46,728)	NTD 3,416,970

(c) Significant transactions: Please refer to Note 7.

14. SEGMENT INFORMATION

(1) 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".

(2) 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:

(English Translation of Financial Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the Year Ended December 31, 2015		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	$	2,082,445	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	**$**	**7,812,675**	**444,063**	**171,036**	**1,461,230**	**1,912,181**	**13,767**	**(3,010,238)**	**8,804,714**

For the Year Ended December 31, 2014		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	$	1,749,257	259,919	227,570	561,714	177,776	3,666	-	2,979,902
Intersegment revenues		118,504	1,501	-	-	27,994	-	(147,999)	-
Interest revenue		229	1,961	-	7,187	1,400	4	(902)	9,879
Total revenue	**$**	**1,867,990**	**263,381**	**227,570**	**568,901**	**207,170**	**3,670**	**(148,901)**	**2,989,781**
Interest expense	**$**	19,829	3	-	-	304	-	(902)	19,234
Depreciation and amortization		110,788	756	285	8,699	303	50	3,079	123,960
Share of profit of associates and joint ventures accounted for using equity method		12,690	31,116	-	(4,167)	(50,197)	-	-	(10,558)
Reportable segment profit or loss	**$**	**729,636**	**105,909**	**31,634**	**74,440**	**(29,111)**	**(2,668)**	**-**	**909,840**
Assets:									
Investments accounted for using equity method	**$**	**609,216**	**147,237**	**-**	**65,833**	**919,253**	**-**	**-**	**1,741,539**
Reportable segment assets	**$**	**6,288,004**	**433,164**	**115,850**	**1,104,274**	**2,322,832**	**7,087**	**(2,897,177)**	**7,374,034**

(3) Information

The Group's information about revenue from external customers was as follows:

Product and Service		For the Years Ended December 31 2015	2014
Medical and functional food	$	3,124,858	2,908,455
Service revenue		70,360	71,447
Total	**$**	**3,195,218**	**2,979,902**

(4) 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.

A. External sales

Region		For the Years Ended December 31 2015	2014
Taiwan	$	2,552,682	2,519,077
China		70,573	177,776
Others		571,903	283,049
Total	**$**	**3,195,158**	**2,979,902**

B. Noncurrent assets

Region		December 31, 2015	December 31, 2014
Taiwan	$	2,448,095	2,473,520
China		511	778
Others		40	54
Total	**$**	**2,448,646**	**2,474,352**

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.

(5) Major customer

The Group has no customer representing more than 10% of revenue in the consolidated income statement for the year ended December 31, 2014. The Group's information about the major customer was as follows:

Customer	**2015**
A	$ 458,561

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No.7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
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Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

(English Translation of Financial Report Originally Issued in Chinese)

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
TTY Biopharm Company Limited

We have audited the accompanying balance sheets of TTY Biopharm Company Limited (the "Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain investees accounted for using equity method, in which the Company's investments accounted for using the equity method represented 7.24% and 32.83% of total assets as of December 31, 2015 and 2014, respectively, and related share of profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method represented 5.26% and 3.86% of profit before tax for the years ended December 31, 2015 and 2014, respectively. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these investees, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement presentation. We believe that our audits and the reports issued by other auditors provide a reasonable basis for our opinion.

KPMG

In our opinion, based on our audits and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, the results of its operations and its cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

KPMG

KPMG
Taipei, Taiwan (the Republic of China)

March 30, 2016

Note to Readers

The accompanying non-consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" in the Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Financial Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 and 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2015		December 31, 2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
Current Assets:				
Cash and cash equivalents (Notes 6(1) and (20))	$ 490,702	6	356,917	6
Notes receivable, net (Notes 6(4) and (20))	26,678	-	22,204	-
Notes receivable－related parties (Notes 6(4) and (20) and 7)	342	-	407	-
Accounts receivable, net (Notes 6(4) and (20))	796,759	9	477,103	7
Accounts receivable, net－related parties (Notes 6(4) and (20) and 7)	32,016	-	29,062	-
Other receivables (Notes 6(4) and (20) and 7)	35,637	-	61,392	1
Inventories (Note 6(5))	492,165	6	441,915	7
Prepayments	42,328	1	13,951	-
Other financial assets－current (Notes 6(1) and (20))	5,550	-	4,950	-
Other current assets	586	-	1,313	-
	1,922,763	22	1,409,214	21
Non-current assets:				
Available-for-sale financial assets－noncurrent (Notes 6(2) and (20))	134,384	2	-	-
Financial assets carried at cost－noncurrent (Notes 6(3) and (20))	-	-	10,048	-
Investments accounted for using equity method (Note 6(6))	3,393,662	40	2,609,578	38
Property, plant and equipment, net (Note 6(7))	2,271,907	27	2,277,105	33
Investment property, net (Notes 6(8) and 8)	78,354	1	78,709	1
Intangible assets (Note 6(9))	22,935	-	28,443	-
Prepayments for equipment	443,012	6	384,341	6
Refundable deposits (Notes 6(20) and 7)	20,565	-	25,987	1
Cash surrender value of life insurance (Note 6(20))	8,505	-	8,484	-
Other financial assets－other－noncurrent (Notes 6(20) and 8)	125,346	2	5,109	-
Other noncurrent assets－other	6,340	-	-	-
	6,505,010	78	5,427,804	79
TOTAL ASSETS	**$ 8,427,773**	**100**	**6,837,018**	**100**

(English Translation of Financial Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED
NON-CONSOLIDATED BALANCE SHEETS (CONT'D)
DECEMBER 31, 2015 and 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2015		December 31, 2014	
	Amount	%	**Amount**	%
LIABILITIES				
Current Liabilities:				
Short-term loans (Notes 6(10) and (20) and 7)	$ 1,200,000	14	1,815,960	27
Notes payable (Note 6(20))	19,242	-	8,743	-
Accounts payable (Note 6(20))	125,665	1	100,962	1
Accounts payable－related parties (Notes 6(20) and 7)	4,814	-	4,960	-
Current income tax liabilities (Note 6(13))	112,537	1	49,114	1
Provisions－current	3,805	-	3,805	-
Other payables (Notes 6(12) and (20))	352,308	4	376,881	6
Other current liabilities (Notes 6(20) and 7)	466,736	6	31,888	-
	2,285,107	26	2,392,313	35
Non-current liabilities:				
Long-term loans (Notes 6(11) and (20))	700,000	8	-	-
Deferred tax liabilities (Note 6(13))	296,259	4	209,062	3
Net defined benefit liability－noncurrent (Note 6(12))	42,475	1	38,769	1
Guarantee deposit received (Note 6(20))	2,631	-	1,996	-
	1,041,365	13	249,827	4
Total Liabilities	3,326,472	39	2,642,140	39
EQUITY (Note 6(14))				
Share capital	2,486,500	31	2,486,500	36
Capital surplus	373,985	4	378,007	5
Legal reserve	482,511	6	404,547	6
Special reserve	110,154	1	110,154	2
Unappropriated retained earnings	1,288,140	15	780,767	11
Other equity interest	360,011	4	34,903	1
Total Equity	5,101,301	61	4,194,878	61
TOTAL LIABILITIES AND EQUITY	**$ 8,427,773**	**100**	**6,837,018**	**100**

The accompanying notes are an integral part of the non-consolidated financial statments.

(English Translation of Financial Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

NON-CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Years ended December 31			
	2015		2014	
	Amount	%	Amount	%
Operating revenues (Notes 6(16) and 7)	$ 2,738,956	100	2,384,207	100
Cost of sales (Notes 6(5) and 7)	954,054	35	979,898	41
Gross profit	1,784,902	65	1,404,309	59
Unrealized profit on intercompany transactions	9,319	-	26,136	1
Realized profit on intercompany transactions	2,358	-	33,702	1
Gross profit, net	1,777,941	65	1,411,875	59
Operating expenses (Note 7)				
Selling expenses	578,606	21	632,567	26
General and administrative expenses	220,408	8	228,367	10
Research and development expenses	236,398	9	283,466	12
	1,035,412	38	1,144,400	48
Results from operating activities	742,529	27	267,475	11
Non-operating income and expenses (Notes 6(18) and 7)				
Other income	59,524	2	85,640	4
Other gains and losses	8,230	-	476,373	20
Finance costs	(25,467)	(1)	(19,831)	(1)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method (Note 6(6))	662,924	25	54,403	2
	705,211	26	596,585	25
Profit before tax	1,447,740	53	864,060	36
Income tax expense (Note 6(13))	236,722	9	84,415	3
Profit for the year	**1,211,018**	**44**	**779,645**	**33**
Other comprehensive income				
Items that will not be reclassified to profit and loss				
Remeasurement effects on defined benefit plans	(4,056)	-	-	-
Less: Income tax relating to components of other comprehensive income	-	-	-	-
	(4,056)	-	-	-
Items which may be reclassified to profit and loss in subsequent periods				
Foreign currency translation differences－foreign operations	(10,273)	-	19,282	1
Unrealized (loss) gain on available-for-sale financial assets	124,336	5	-	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method (Note 6(19))	204,990	7	3,220	-
Less: Income tax relating to components of other comprehensive income	(6,055)	-	5,665	-
	325,108	12	16,837	1
Other comprehensive income for the year, net of tax	321,052	12	16,837	1
Total comprehensive income for the year	**$ 1,532,070**	**56**	**796,482**	**34**
Earnings per share, net of tax (Note 6(15))				
Basic earnings per share	**$**	**4.87**		**3.14**
Diluted earnings per share	**$**	**4.86**		**3.13**

The accompanying notes are an integral part of the non-consolidated financial statments.

(English Translations of Financial Statements Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED
NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Other adjustments to equity			
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated	Foreign currency translation differences	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance, January 1, 2014	$ 2,330,365	390,153	345,803	110,154	682,073	18,066	-	18,066	3,876,614
Profit for the year	-	-	-	-	779,645	-	-	-	779,645
Other comprehensive income for the year	-	-	-	-	-	27,658	(10,821)	16,837	16,837
Total comprehensive income for the year	-	-	-	-	779,645	27,658	(10,821)	16,837	796,482
Appropriation and distribution of retained earnings (Note 1)									
Legal reserve	-	-	58,744	-	(58,744)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(466,072)	-	-	-	(466,072)
Stock dividends of ordinary shares	156,135	-	-	-	(156,135)	-	-	-	-
Changes in equity of associates and joint ventures accounted for under equity method	-	12,092	-	-	-	-	-	-	12,092
Disposal of investments accounted for using equity method	-	(24,238)	-	-	-	-	-	-	(24,238)
Balance, December 31, 2014	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 (Note 2)									
Legal reserve	-	-	77,964	-	(77,964)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(621,625)	-	-	-	(621,625)
Changes in equity of associates and joint ventures accounted for under equity method	-	(4,022)	-	-	-	-	-	-	(4,022)
Balance, December 31, 2015	**$ 2,486,500**	**373,985**	**482,511**	**110,154**	**1,288,140**	**16,160**	**343,851**	**360,011**	**5,101,301**

Note 1: The directors' and supervisors' remuneration of $10,574 and employees' bonuses of $10,600 for the year ended December 31, 2014, had been deducted from comprehensice income for the year ended December 31, 2014.

Note 2: The directors' and supervisors' remuneration of $14,034 and employees' bonuses of $14,034 for the year ended December 31, 2015, had been deducted from comprehensice income for the year ended December 31, 2015.

The accompanying notes are an integral part of the non-consolidated financial statments.

(English Translation of Financial Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2015	2014
Cash flows from operating activities:		
Profit before tax	$ 1,447,740	864,060
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	93,871	94,298
Amortization	13,732	17,531
Allowance for uncollectable accounts	13,319	-
Interest expense	25,467	19,831
Interest income	(2,767)	(2,190)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	(662,924)	(54,403)
Gain on disposal of property, plant and equipment	(33)	(784)
Allocation of deferred income	(1,010)	(1,031)
Gain on disposal of investments	-	(483,809)
Unrealized profits on intercompany transactions	9,319	26,136
Realized losses on intercompany transactions	(2,358)	(33,702)
	(513,384)	(418,123)
Changes in operating assets and liabilities		
Notes receivable, net	(4,409)	6,957
Accounts receivable, net	(335,929)	54,640
Other receivables	25,755	(4,503)
Inventories	(50,250)	23,217
Other current assets	(27,650)	21,771
Notes payable	10,499	(30,179)
Accounts payable	24,557	4,463
Other payables	76,335	(33,033)
Other current liabilities	(20,962)	11,695
Decrease in net defined benefit liability	(350)	(292)
Net changes in operating assets and liabilities	(302,404)	54,736
Total changes in operating assets and liabilities	(815,788)	(363,387)
Cash provided by operating activities	631,952	500,673
Interest received	2,767	2,190
Dividend received	68,914	68,154
Interest paid	(25,373)	(19,888)
Income taxes paid	(80,047)	(82,321)
Net cash provided by operating activities	**598,213**	**468,808**

The accompanying notes are an integral part of the non-consolidated financial statments.

(English Translation of Financial Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2015	**2014**
Cash flows from investing activities		
Proceeds from disposal of financial assets carried at cost	-	150
Acquisition of investments accounted for using equity method	(5,330)	(7,810)
Proceeds from disposal of investments accounted for using equity method	-	1,039,415
Acquisition of property, plant and equipment	(62,125)	(427,634)
Proceeds from disposal of property, plant and equipment	143	3,616
Decrease in refundable deposits	5,422	5,297
Acquisition of intangible assets	(8,224)	(3,273)
Decrease (increase) in other financial assets	(120,837)	600
Increase in prepayments for equipment	(156,891)	(166,431)
Decrease (increase) in other noncurrent assets	(6,361)	5,699
Net cash provided by (used in) investing activities	**(354,203)**	**449,629**
Cash flows from financing activities		
Increase in short-term loans	8,579,990	(386,101)
Decrease in short-term loans	(9,195,950)	-
Proceeds from long-term loans	1,000,000	-
Repayments of long-term loans	(300,000)	-
Increase in guarantee deposit received	635	866
Increase in other current liabilities	426,725	-
Cash dividends paid	(621,625)	(466,072)
Net cash used in financing activities	**(110,225)**	**(851,307)**
Net increase in cash and cash equivalents	133,785	67,130
Cash and cash equivalents, beginning of year	356,917	289,787
Cash and cash equivalents, end of year	**$ 490,702**	**356,917**

The accompanying notes are an integral part of the non-consolidated financial statments.

(English Translation of Financial Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Per Share Information and Unless Otherwise Stated)

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 NON-CONSOLIDATED FINANCIAL STATEMENTS

The non-consolidated financial statements were authorized for issue by the Board of Directors on March 30, 2016.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

(1) Impact of the 2013 version of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

The Company has adopted the 2013 version of the IFRS endorsed by the FSC (excluding IFRS 9 Financial Instruments) in preparing non-consolidated financial statements starting 2015.

The new standards and amendments issued by the International Accounting Standards Board ("IASB") were as follows:

New standards and amendments	Effective date per IASB
· Amended IFRS 1 "*Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*"	July 1, 2010
· Amended IFRS 1 "*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*"	July 1, 2011
· Amended IFRS 1 "*Government Loans*"	January 1, 2013
· Amended IFRS 7 "*Disclosure — Transfers of Financial Assets*"	July 1, 2011
· Amended IFRS 7 "*Disclosure — Offsetting Financial Assets and Financial Liabilities*"	January 1, 2013
· IFRS 10 *Consolidated Financial Statements*	January 1, 2013 (investment entities effective January 1, 2014)
· IFRS 11 *Joint Arrangements*	January 1, 2013
· IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013
· IFRS 13 *Fair Value Measurement*	January 1, 2013

New standards and amendments	Effective date per IASB
· 1Amended IAS 1 "*Presentation of Items of Other Comprehensive Income*"	July 1, 2012
· Amended IAS 12 "*Deferred Tax: Recovery of Underlying Assets*"	January 1, 2012
· Amended IAS 19 "*Employee Benefits* "	January 1, 2013
· Amended IAS 27 "*Separate Financial Statements*"	January 1, 2013
· Amended IAS 32 "*Offsetting Financial Assets and Financial Liabilities*"	January 1, 2014
· IFRIC 20 — *Stripping Costs in the Production Phase of a Surface Mine*	January 1, 2013

The Company has assessed that the 2013 version of the IFRS endorsed by the Financial Supervisory Commission, R.O.C. did not have significant impact on the consolidated financial statements except for the following standards and amendments:

A. IFRS 10 Consolidated Financial Statements

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities", and redefines the meaning of control. IAS 27 is renamed "Separate Financial Statements". 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.

In accordance with the above principles, the Company has changed its accounting policies to determine whether it has control over the investee and must consolidate such investee.

B. IFRS 12 Disclosure of Interests in Other Entities

The Company has increased its disclosures on its interests in subsidiaries and associates in accordance with this standard. (Please refer to Note 6(6).)

C. IFRS 13 Fair Value Measurement

This standard defines fair value and provides a framework for measuring fair value and requires disclosures on fair value measurement. Under this standard, the Company has increased its disclosures on the measurement of fair value and postponed the adoption of the standard regarding fair value measurement during the transition period of IFRS 13.

Comparative information need not be disclosed for periods before initial application. Despite the postponing of the adoption of the standard, there is no significant impact on the disclosures of the non-consolidated financial assets and liabilities.

D. Amendments to IAS 1 Presentation of Financial Statements

Under these amendments**,** the other comprehensive income section is required to present line items classified by their nature, and grouped as those items that will or will not be reclassified to profit and loss in subsequent periods. Allocation of income tax to these two groups of items of other comprehensive is also required. The Company has changed the presentation of the comprehensive income statement along with its comparison periods in accordance with the standard.

E. Amendments to IAS 19 Employee Benefits

The amendments to IAS 19 require the Company to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on plan assets used in the current IAS 19. In addition, the amendments eliminate the accounting treatment of either the corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when incurred, and instead, require recognition of re-measurement of the defined benefit plan (including actuarial gains and losses) immediately through other comprehensive income. The past service cost, on the other hand, is expensed immediately when incurred and is no longer amortized over the average period before vesting on a straight-line basis. In addition, instead of recognizing liability and expense only when a demonstrable benefit commitment is made, the amendments require the Company to recognize liability and expense for a termination benefit on (1) the date when the Company can no longer withdraw the offer of the benefit, or (2) the date when the Company recognizes related restructuring cost, whichever date is earlier. Moreover, the amendments also require a broader disclosure for defined benefit plans.

The Company has changed the accounting policy related to the measurement and expression of net defined benefit liabilities, pension cost, and actuarial gains or losses. With the elimination of the corridor approach, the Company has fully recognized the unrecognized re-measurement of the defined benefit plan to other comprehensive income.

(2) **Impact of IFRS issued by the IASB but not yet endorsed by the FSC**

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC was as follows:

New standards and amendments	Effective date per IASB
‧ IFRS 9 *Financial Instruments*	January 1, 2018
‧ Amended IAS 28 and IFRS 10 "*Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*"	Undecided

New standards and amendments	Effective date per IASB
· Amended IFRS 10, 12 and IAS 28 "*Investment Entities: Applying the Consolidation Exception*"	January 1, 2016
· Amended IFRS 11 "*Accounting for Acquisitions of Interests in Joint Operations*"	January 1, 2016
· IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
· IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
· IFRS 16 *Leases*	January 1, 2019
· Amended IAS 1 "*Disclosure Initiative*"	January 1, 2016
· Amended IAS 7 "*Disclosure Initiative*"	January 1, 2017
· Amended IAS 12 "*Recognition of Deferred Tax Assets for Unrealized Losses*"	January 1, 2017
· Amended IAS 16 and IAS 38 "*Clarification of Acceptable Methods of Depreciation and Amortization*"	January 1, 2016
· Amended IAS 16 and IAS 41 "*Agriculture:Bearer Plants*"	January 1, 2016
· Amended IAS 19 "*Defined Benefit Plans: Employee Contributions*"	July 1, 2014
· Amended IAS 27 "*Equity method in separate financial statements*"	January 1, 2016
· Amended IAS 36 "*Recoverable Amount Disclosures for Non-Financial Assets*"	January 1, 2014
· Amended IAS 39 "*Novation of Derivatives and Continuation of Hedge Accounting*"	January 1, 2014
· 2010–2012 & 2011–2013 Annual Improvements Cycles	July 1, 2014
· 2012–2014 Annual Improvements Cycles	January 1, 2016
· Amended IFRIC 21 "*Levies*"	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Company is in the process of assessing the impact on the financial position and the results of operations. The related impact will be disclosed following the completion of its assessments.

4. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently to all periods presented in the non-consolidated financial statements.

(1) Statement of compliance

The non-consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.

(2) Basis of preparation

A. Basis of measurement

The non-consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

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

(b) The net defined benefit liability is recognized as the fair value of plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling with reference to Note 4(18).

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The non-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.

(3) Foreign currency

A. 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 the following accounts, which are recognized in other comprehensive income:

- Available-for-sale equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

- Qualifying cash flow hedges to the extent that the hedge is effective.

B. 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 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 from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(4) Classification of current and noncurrent assets and liabilities

An asset is classified as current when:

A. It is expected to be realized, or is intended to be sold or consumed, during the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when:

A. It is expected to be settled by the Company during its normal operating cycle;

B. It is held primarily for the purpose of trading;

C. The liability is due to be settled within twelve months after the reporting period; or

D. The Company 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.

All other liabilities are classified as noncurrent.

(5) 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.

(6) Financial instruments

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

A. Financial assets

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

(a) 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 gain or loss on monetary items, 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.

(b) 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.

(c) Impairment of financial assets

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.

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 a recovery in the fair value of an impaired available-for-sale equity security 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.

(d) Derecognition of financial assets

The Company derecognizes financial assets 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.

B. Financial liabilities and equity instruments

(a) 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.

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.

(b) 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.

(c) 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.

(d) Offsetting of financial assets and liabilities

The Company presents 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.

(7) 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.

(8) 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 non-consolidated 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 investee.

(9) 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.

(10) 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 values are the same as those of 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.

(11) Property, plant and equipment

A. 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 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 its useful life and depreciation method are the same 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 shall be 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.

B. 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 that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

C. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and the depreciable amount shall be allocated on a systematic basis over the asset's useful life. 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 least on the annual reporting date. If expectations of useful life differ from the previous estimate, the change(s) is accounted for as a change in accounting estimate.

D. Reclassification as investment property

When owner-occupied property changes its purpose to investment property, such property shall be reclassified as investment property at carrying value at that time.

(12) Leased assets

A. Lessor

A leased asset under 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 in order 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.

B. 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 and 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.

Other leases are operating leases, and the lease assets are not recognized in the Company's non-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.

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 in order to produce a constant periodic rate of interest on the remaining balance of the liability.

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 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.

(13) Intangible assets

A. 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.

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

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

(c) The ability to use or sell the intangible asset.

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

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

(f) 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.

B. Other intangible assets

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

C. 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.

D. 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:

Patent	3.25-6 years
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.

(14) Impairment – non-financial assets

Inventories, deferred tax assets, assets arising from employee benefits, and non-financial assets except that those are classified as noncurrent assets held for sale, are assessed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset.

If it is not possible to determine the recoverable amount (the higher of fair value, less cost of disposal, and 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 cost of disposal, 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.

(15) 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.

(16) 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 an outflow of economic benefits is possibly 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.

(17) Revenue

A. 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.

B. 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.

C. Commission income

In a transaction, when the Company plays the role of an agent instead of principal, commission income is recognized on a net basis.

D. 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".

(18) Employee benefits

A. 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.

B. 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 plan is 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 (market yields of high-quality corporate bonds or government bonds) at the reporting date on 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.

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.

C. Other long-term employee benefits

In addition to pension plans, the Company has 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.

D. 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.

(19) Income taxes

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

A. Assets and liabilities that are initially recognized from non-business combination transactions, with no effect on net income or taxable gains (losses).

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

C. Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date or the actual legislative tax rate during the year of expected asset realization or debt liquidation.

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

A. the entity has the legal right to settle tax assets and liabilities on a net basis; and

B. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

(a) levied by the same taxing authority; or

(b) 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 re-evaluated 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.

(20) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary shareholders of the Company. The 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. The 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.

(21) Operating segments

Please refer to the consolidated financial report of TTY Biopharm Company Limited for the years ended December 31, 2015 and 2014, for operating segment information.

5. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND JUDGMENTS, AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the non-consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities 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.

Management continuously reviews the estimates and basic assumptions. Changes in accounting estimates are recognized in the period of change.

Information on critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the non-consolidated financial statements is included in the following note:

Note 6(8), Classification of investment property

Information on assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is included in the following notes:

(1) Note 6(4), Accounts receivable impairment evaluation

(2) Note 6(5), Measurement of inventories.

6. EXPLANATION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

		December 31, 2015	December 31, 2014
Cash on hand	$	5,615	2,078
Cash in banks		455,087	290,689
Time deposits		30,000	64,150
	$	**490,702**	**356,917**

A. The above cash and cash equivalents were not pledged as collateral.

B. Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets—current.

C. Refer to Note 6(20) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(2) Available-for-sale financial assets

	December 31, 2015	December 31, 2014
Non-listed investment:		
Lumosa Therapeutics Co., Ltd.	$ 134,384	-

A. The above equity investments in Lumosa Therapeutics Co., Ltd. are classified as available-for-sale financial assets according to the investment intention. Such equity investments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost on December 31, 2014. Lumosa Therapeutics Co., Ltd. obtained emerging stock market registration on July 16, 2015, so these equity investments are now measured at fair value.

B. The amount measured at fair value is recognized in other comprehensive income. Please refer to Note 6(14) for details.

C. As of December 31, 2015 and 2014, the aforesaid available-for-sale financial assets were not pledged as collateral.

D. 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			
	2015		2014	
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%	$ 13,438	-	-	-
Decrease by 10%	$ (13,438)	-	-	-

(3) Financial assets carried at cost

	December 31, 2015	December 31, 2014
Lumosa Therapeutics Co., Ltd.	$ -	10,048

A. The aforementioned investments held by the Company are measured at amortized cost at each reporting date given the range of reasonable fair value estimates is large and the probability for each estimate of fair value cannot be reasonably determined. Therefore, the Company's management determined that the fair value cannot be measured reliably.

B. As of December 31, 2015 and 2014, the aforesaid financial assets were not pledged as collateral.

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

		December 31, 2015	December31, 2014
Notes receivable	$	27,020	22,611
Accounts receivable		873,504	539,280
Other receivables		35,637	61,392
Less: Allowance for impairment		(44,729)	(33,115)
	$	**891,432**	**590,168**

Aging analysis of notes and accounts receivable and other receivables which were overdue but not impaired was as follows:

		December 31, 2015	December 31, 2014
Past due less than 90 days	$	4,164	41,437
Past due 90-180 days		234	188
Past due 181-365 days		1,030	171
Past due more than 365 days		170	150
Total	**$**	**5,598**	**41,946**

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, 2015	$	17,558	15,557	33,115
Impairment loss		2,981	10,338	13,319
Write-off		-	(1,705)	(1,705)
Balance as of December 31, 2015	**$**	**20,539**	**24,190**	**44,729**
Balance as of January 1, 2014	**$**	**17,558**	**15,557**	**33,115**
Balance as of December 31, 2014	**$**	**17,558**	**15,557**	**33,115**

A. 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 that are more than 180 days past due are 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, the current financial situation, and the evaluation of the uncollectible amount.

B. Individually assessed impairment is recognized as the difference between the carrying value of accounts receivable and the estimated recoverable amount. Accounts receivable are not pledged as collateral. In addition to previous individual assessment, the Company analyzes the current financial situation and the counterparty's payment history. Based on the historical default rate, the Company evaluates the uncollectible amount by groups of notes receivable and accounts receivable.

C. As of December 31, 2015 and 2014, notes receivable and accounts receivable were not pledged as collateral.

(5) Inventories

		December 31, 2015	December 31, 2014
Merchandise	$	52,844	60,368
Finished goods		99,010	110,412
Work in process		112,586	79,753
Raw materials		202,377	180,072
Materials		33,776	34,338
Subtotal		500,593	464,943
Goods in transit		10,822	3,855
Total		511,415	468,798
Less: Allowance for inventory market decline and obsolescence		(19,250)	(26,883)
Net amount	**$**	**492,165**	**441,915**

The cost of inventories recognized as cost of goods sold and expense for the years ended December 31, 2015 and 2014, amounted to $961,687 and $979,089, respectively. The main item was the costs arising from selling goods. For the years ended December 31, 2015 and 2014, reversal of gain from valuation of inventories at net realizable value or the inventory write-down to net realizable value was recognized as an increase (decrease) in cost of goods sold of $(7,633) and $809, respectively.

As of December 31, 2015 and 2014, the aforesaid inventories were not pledged as collateral.

(6) Investments accounted for using equity method

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

		December 31, 2015	December 31, 2014
Subsidiaries	$	2,547,969	1,853,126
Associates		845,693	756,452
	$	**3,393,662**	**2,609,578**

A. Subsidiaries

Please refer to the consolidated financial report for the years ended December 31, 2015 and 2014.

B. Associates

(i) As of December 31, 2015 and 2014, the carrying value of associates which had a quoted market price amounted to $610,352 and $566,282, respectively, while fair value amounted to $4,737,763 and $5,703,519, respectively.

(ii) In the years ended December 31, 2015 and 2014, 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 $(12,374) and $8,575, respectively. As the Company did not subscribe in proportion to the shareholding ratio for the year ended December 31, 2015, such ratio decreased from 19.35% to 19.32%.

(iii) The Company sold 2,000 thousand shares of PharmaEngine, Inc. for $516,705 in the year ended December 31, 2014, and recognized a gain on disposal of investments of $483,659. After such disposal, the Company's shareholding ratio decreased from 21.62% to 19.35%, which still represented significant influence over PharmaEngine, Inc.

(iv) In March 2014, the Company sold 17,250 thousand shares of TOT Biopharm International Company Limited to subsidiary Xudong Haipu International Co., Ltd., and the price was $522,710. The difference between the price and the carrying value amounting to $197,876 was credited to capital surplus.

(v) In the years ended December 31, 2015 and 2014, Gligio International Limited paid cash dividends. The Company received $5,839 and $7,430, respectively on the basis of the number of shares.

(vi) BroadCan Company merged with Lumosa Therapeutics Co., Ltd. in June 2014. After the merger, based on the evaluation that significant influence had been lost, the Company remeasured the fair value of ownership of Lumosa Therapeutics Co., Ltd. on the consolidation date. Lumosa Therapeutics Co., Ltd. obtained emerging stock market registration on July 16, 2015. Available-for-sale financial assets were recognized for the purpose of investment and were measured at their fair value. Please refer to Note 6(2) for details.

(vii) In the years ended December 31, 2015 and 2014, CY Biotech Co., Ltd. launched a cash capital increase. The Company did not subscribe on the initial shareholding basis. Such increase was credited to capital surplus of $8,352 and $3,517, respectively.

(viii) The Company received cash dividends from TSH Biopharm Co., Ltd. of $43,374 and $60,724 in the years ended December 31, 2015 and 2014, respectively.

(ix) The Company received cash dividends from PharmaEngine, Inc. of $19,701 in the year ended December 31, 2015.

C. Associates that had materiality were as follows:

			Equity ownership	
Associate	**Nature of relationship**	**Country of registration**	**December 31, 2015**	**December 31, 2014**
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	19.32%	19.35%
American Taiwan Biopharm Co., Ltd.	Sale of Western medicine	Thailand	40.00%	40.00%

- 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.

(i) Summary financial information on PharmaEngine, Inc.

		December 31, 2015	December 31, 2014
Current assets	$	3,162,198	2,914,947
Noncurrent assets		74,717	29,599
Current liabilities		(64,673)	(18,018)
Noncurrent liabilities		(13,071)	-
Net assets	**$**	**3,159,171**	**2,926,528**
Net assets attributable to non-controlling interests	**$**	**610,352**	**566,282**
Net assets attributable to investee owners	**$**	**2,548,819**	**2,360,246**

		For the Years Ended December 31	
		2015	**2014**
Revenue	$	**507,244**	**228,986**
Profit for the year	$	394,022	123,592
Other comprehensive income		(42)	-
Comprehensive income	**$**	**393,980**	**123,592**
Comprehensive income attributable to non-controlling interests	**$**	**76,145**	**27,268**
Comprehensive income attributable to investee owners	**$**	**317,835**	**96,324**

		For the Years Ended December 31	
		2015	2014
Net assets attributable to the Company, January 1	$	566,282	587,722
Disposal of associates		-	(57,283)
Recognition of capital surplus due to change in associates		(12,374)	8,575
Comprehensive income attributable to the Company		76,145	27,268
Share dividends received from associates		(19,701)	-
Assets attributable to the Company, December 31		610,352	566,282
Carrying amount of interest in associates, December 31	**$**	**610,352**	**566,282**

(ii) Summary financial information on American Taiwan Biopharm Co., Ltd.

		December 31, 2015	December 31, 2014
Current assets	$	360,946	321,584
Noncurrent assets		181,114	91,614
Current liabilities		(81,568)	(67,591)
Noncurrent liabilities		(3,637)	(3,506)
Net assets	**$**	**456,855**	**342,101**
Net assets attributable to non-controlling interests	**$**	**182,742**	**136,841**
Net assets attributable to investee owners	**$**	**274,113**	**205,260**

		For the Years Ended December 31	
		2015	2014
Revenue	**$**	**395,968**	**372,265**
Profit for the year	$	54,090	56,113
Other comprehensive income		60,664	(10,823)
Comprehensive income	**$**	**114,754**	**45,290**

	For the Years Ended December 31	
	2015	**2014**
Comprehensive income attributable to non-controlling interests	$ **45,901**	**18,116**
Comprehensive income attributable to investee owners	$ **68,853**	**27,174**
Net assets attributable to the Company, January 1	$ 135,638	110,585
Comprehensive income attributable to the Company	45,901	18,116
Net assets attributable to the Company, December 31	181,539	128,701
Less: Write-off of unrealized gain on intercompany downstream transactions	(5,205)	6,937
Carrying amount of interest in associates, December 31	$ **176,334**	**135,638**

- 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, 2015	**December 31, 2014**
Carrying amount of interest in individually insignificant associates, December 31	$ **59,007**	**54,532**

	For the Years Ended December 31	
Attributable to the Company:	**2015**	**2014**
Profit (loss) for the year	$ 301	(6,694)
Other comprehensive income	651	6,025
Comprehensive income	$ **952**	**(669)**

D. Collateral

As of December 31, 2015 and 2014, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(7) 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, 2015 and 2014, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Construction in progress	Total
Cost:							
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**
Balance on January 1, 2014	810,323	743,084	350,966	6,787	317,613	89,103	2,317,876
Additions	-	10,991	5,224	516	13,775	397,128	427,634
Disposals	-	(876)	(25,423)	(2,895)	(4,005)	-	(33,199)
Reclassifications	-	20,347	61,157	-	8,906	-	90,410
Balance on December 31, 2014	**$ 810,323**	**773,546**	**391,924**	**4,408**	**336,289**	**486,231**	**2,802,721**
Depreciation:							
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**
Balance on January 1, 2014	$ -	111,380	167,616	3,916	179,128	-	462,040
Depreciation for the year	-	31,137	32,253	367	30,186	-	93,943
Disposals	-	(727)	(25,099)	(2,805)	(1,736)	-	(30,367)
Reclassifications	-	690	1,241	-	(1,931)	-	-
Balance on December 31, 2014	**$ -**	**142,480**	**176,011**	**1,478**	**205,647**	**-**	**525,616**
Carrying amounts:							
Balance on December 31, 2015	**$ 810,323**	**603,702**	**190,313**	**2,533**	**118,938**	**546,098**	**2,271,907**
Balance on January 1, 2014	**$ 810,323**	**631,704**	**183,350**	**2,871**	**138,485**	**89,103**	**1,855,836**
Balance on December 31, 2014	**$ 810,323**	**631,066**	**215,913**	**2,930**	**130,642**	**486,231**	**2,277,105**

A. As of December 31, 2015 and 2014, the property, plant and equipment were not pledged as collateral.

B. Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to $546,098, including capitalized loan cost. For the year ended December 31, 2014, relevant capitalized loan cost for construction of new plant amounted to $2,796, calculated at a capitalization rate of 1.2%. The capitalized loan cost amounted to $0 for the year ended December 31, 2015.

(8) Investment property

		Land	Building and construction	Total
Cost or deemed cost:				
Balance on January 1, 2015	$	**69,152**	**15,526**	**84,678**
Balance on December 31, 2015	$	**69,152**	**15,526**	**84,678**
Balance on January 1, 2014	$	**69,152**	**15,526**	**84,678**
Balance on December 31, 2014	$	**69,152**	**15,526**	**84,678**
Depreciation and impairment loss:				
Balance on January 1, 2015	$	-	5,969	5,969
Depreciation		-	355	355
Balance on December 31, 2015	$	-	**6,324**	**6,324**
Balance on January 1, 2014	$	-	5,614	5,614
Depreciation		-	355	355
Balance on December 31, 2014	$	-	**5,969**	**5,969**
Carrying amount:				
Balance on December 31, 2015	$	**69,152**	**9,202**	**78,354**
Balance on January 1, 2014	$	**69,152**	**9,912**	**79,064**
Balance on December 31, 2014	$	**69,152**	**9,557**	**78,709**
Fair value:				
Balance on December 31, 2015				$ **126,947**
Balance on December 31, 2014				$ **174,124**

A. The fair value of investment property was evaluated based on the recent market transactions on arm's-length terms.

B. The Company's investment properties were pledged as collateral for the years ended December 31, 2015 and 2014. Please refer to Note 8 for details.

(9) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the years ended December 31, 2015 and 2014, were as follows:

		Computer software	Patent and franchise	Total
Cost:				
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**
Balance on January 1, 2014	$	41,730	54,732	96,462
Additions		3,273	-	3,273
Disposals		(8,669)	(18,752)	(27,421)
Balance on December 31, 2014	**$**	**36,334**	**35,980**	**72,314**
Amortization and impairment loss:				
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**
Balance on January 1, 2014	$	20,026	33,735	53,761
Amortization for the year		9,145	8,386	17,531
Disposals		(8,669)	(18,752)	(27,421)
Balance on December 31, 2014	**$**	**20,502**	**23,369**	**43,871**
Carrying amount:				
Balance on December 31, 2015	**$**	**18,167**	**4,768**	**22,935**
Balance on January 1, 2014	**$**	**21,704**	**20,997**	**42,701**
Balance on December 31, 2014	**$**	**15,832**	**12,611**	**28,443**

Amortization expenses for intangible assets for the years ended December 31, 2015 and 2014, that were recorded as operating expenses and operating cost, respectively, were as follows:

		For the Years Ended December 31	
		2015	**2014**
Operating cost	$	29	-
Operating expenses		13,703	17,531
	$	**13,732**	**17,531**

As of December 31, 2015 and 2014, the aforementioned intangible assets were not pledged as collateral.

(10) Short-term loans

		December 31, 2015	December 31, 2014
Bank fiduciary loans	$	1,200,000	1,740,000
Other short-term loans—related party		-	75,960
	$	**1,200,000**	**1,815,960**
Bank fiduciary loans	**$**	**1,200,000**	**1,740,000**
Unused credit line	**$**	**1,635,000**	**995,000**
Interest rate for bank loans		**0.98%~1.15%**	**1%~1.25%**
Interest rate for related-party loans		**-**	**0.8%**

A. The Company's assets were pledged as guarantee for the Company's credit loan facility. Please refer to Note 8 for details.

B. Please refer to Note 6(20) for relevant information about exposure to interest rate risk and liquidity risk.

(11) Long-term loans

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

(12) Employee benefits

A. Defined benefit plans

The Company's defined benefit obligation and fair value of plan assets were as follows:

		December 31, 2015	December 31, 2014
Present value of defined benefit obligation	$	113,021	103,894
Fair value of plan assets		(70,546)	(66,523)
Net defined benefit liabilities (assets)	**$**	**42,475**	**37,371**

The following are the details for the employee benefit liability:

		December 31, 2015	December 31, 2014
Long-term leave liability	$	**11,224**	**11,544**

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.

(a) Composition of plan assets

The Company sets aside 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. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

As of the reporting date, the balance of the Company's pension fund account with Bank of Taiwan was $70,546. 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.

(b) Movements in present value of the defined benefit obligation

The movements in the present value of the defined benefit obligation for the years ended December 31, 2015 and 2014, were as follows:

		For the Years Ended December 31	
		2015	2014
Defined benefit obligation, January 1	$	103,894	115,096
Current service costs and interest		2,777	3,219
Re-measurement of the net defined benefit liability (asset)			
Return on plan assets (without interest for the year)		6,350	(10,069)
Past service cost and profit or loss from settlement		-	(4,352)
Defined benefit obligation, December 31	$	**113,021**	**103,894**

(c) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2015 and 2014, were as follows:

	For the Years Ended December 31	
	2015	**2014**
Fair value of plan assets, January 1	$ 66,523	66,397
Interest revenue	-	855
Re-measurement of the net defined benefit liability (asset)		
Return on plan assets (without interest for the year)	1,762	731
Contributions made	2,261	2,892
Benefits paid by the plan	-	(4,352)
Fair value of plan assets, December 31	**$ 70,546**	**66,523**

(d) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2015 and 2014, were as follows:

	For the Years Ended December 31	
	2015	**2014**
Current service cost	$ 1,246	1,544
Net interest on net defined benefit liability (asset)	1,531	1,675
Estimated return on plan assets	(866)	(855)
	$ 1,911	**2,364**
Cost of sales	$ 704	946
Selling expense	439	568
Administrative expense	481	485
Research and development expense	287	365
	$ 1,911	**2,364**

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

The Company's net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2015 and 2014, was as follows:

		For the Years Ended December 31	
		2015	**2014**
Cumulative amount, January 1	$	(10,800)	-
Recognized during the year		5,454	(10,800)
Cumulative amount, December 31	**$**	**(5,346)**	**(10,800)**

(f) Actuarial assumptions

The following were the key actuarial assumptions to determine the present value of the defined benefit plan at the reporting date:

	December 31, 2015	**December 31, 2014**
Discount rate	1.58%	1.85%
Future salary increases	3.00%	3.00%

Based on the actuarial report, the Company is expected to make a contribution payment of $2,261 to the defined benefit plan for the one-year period after the reporting date.

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

(g) Sensitivity analysis

In determining the present value of the defined benefit obligation, the Company's management makes judgments and estimates in determining certain actuarial assumptions on the balance sheet date, which include discount rate and future salary changes. Changes in actuarial assumptions may have significant impact on the amount of the defined benefit obligation.

As of December 31, 2015, the changes in the principal actuarial assumptions that could impact the present value of the defined benefit obligation were as follows:

		Impact on present value of defined benefit obligation	
		Increase by 0.50%	Decrease by 0.50%
December 31, 2015			
Discount rate	$	(5,533)	5,961
Future salary increase		5,306	(4,995)

The sensitivity analysis assumes all other variables remain constant during the measurement. This may not be representative of the actual change in the defined benefit obligation as some of the variables may be correlated. The model used in the sensitivity analysis is the same as that used for the defined benefit obligation liability.

The analysis was performed on the same basis for the prior year.

B. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account 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 cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2015 and 2014, amounted to $19,260 and $19,396, respectively.

(13) Taxes

A. Income tax expense (benefit)

The components of income tax expense for the years ended December 31, 2015 and 2014, were as follows:

		For the Years Ended December 31	
		2015	2014
Current income tax expense			
Currently incurred	$	143,470	85,215
Adjustment to prior year's income tax charged to current income tax		-	45
		143,470	85,260
Deferred income tax expense			
Occurrence and reversal of temporary difference		93,252	(845)
Income tax expense	**$**	**236,722**	**84,415**

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

		For the Years Ended December 31	
Items which may be reclassified to profit and loss in subsequent periods:		2015	2014
Foreign currency translation differences－foreign operations	$	-	(3,278)
Share of other comprehensive income of associates and joint ventures accounted for under equity method		6,055	(2,387)
Balance of December 31	**$**	**6,055**	**(5,665)**

Income tax calculated on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2015 and 2014, as follows:

		For the Years Ended December 31	
		2015	2014
Profit before income tax	$	1,447,740	864,060
Income tax on pre-tax financial income calculated at the domestic rate	$	246,116	146,890
Non-deductible expenses		6,341	22,272
Gains derived from securities transactions		-	(82,248)
Tax exemption		(4,250)	(12,986)
Underestimationfrom prior period		-	45
10% surtax on undistributed earnings		8,006	-
Basic income tax		-	18,519
Others		(19,491)	(8,077)
	$	**236,722**	**84,415**

B. Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2015 and 2014, were as follows:

		Gain on foreign investments	Reserve for land revaluation increment tax	Total
Deferred tax liabilities:				
Balance, January 1, 2015	$	169,127	60,871	229,998
Recognized in loss		92,542	-	92,542
Recognized in other comprehensive income		(6,055)	-	(6,055)
Balance, December 31, 2015	**$**	**255,614**	**60,871**	**316,485**

		Gain on foreign investments	Reserve for land revaluation increment tax	Total
Balance, January 1, 2014	$	166,173	60,871	227,044
Recognized in profit		(2,711)	-	(2,711)
Recognized in other comprehensive income		5,665	-	5,665
Balance, December 31, 2014	**$**	**169,127**	**60,871**	**229,998**

		Defined benefit plan	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:					
Balance, January 1, 2015	$	5,915	4,570	10,451	20,936
Recognized in profit (loss)		(59)	(1,298)	647	(710)
Balance, December 31, 2015	**$**	**5,856**	**3,272**	**11,098**	**20,226**
Balance, January 1, 2014	$	5,965	4,433	12,404	22,802
Recognized in profit (loss)		(50)	137	(1,953)	(1,866)
Balance, December 31, 2014	**$**	**5,915**	**4,570**	**10,451**	**20,936**

C. Status of approval of income tax

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

D. Stockholders' imputation tax credit account and tax rate

		December 31, 2015	December 31, 2014
Undistributed earnings since 1998	**$**	**1,288,140**	**780,767**
Stockholders' imputation tax credit account	**$**	**54,959**	**47,869**

	2015 (expected)	2014 (actual)
Tax deduction ratio for earnings distributable to R.O.C. residents	**12.64%**	**11.76%**

The aforesaid imputation tax-related information was prepared in accordance with Decree No. 10204562810 issued by the Taxation Administration, Ministry of Finance, R.O.C., on October 17, 2013.

(14) Share capital and other interests

As of December 31, 2015 and 2014, 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.

The movements in ordinary shares of stock outstanding for the years ended December 31, 2015 and 2014, were as follows:

	For the Years Ended December 31	
Ordinary shares (in thousands of shares)	**2015**	**2014**
Beginning balance, January 1	248,650	233,037
Common stock dividends	-	15,613
Ending balance, December 31	**248,650**	**248,650**

A. Nominal ordinary shares

The Company issued 15,613 thousand shares in exchange for earnings of $156,135 according to a resolution of a stockholders' meeting on June 24, 2014, and finished the registration procedure.

B. Capital surplus

The components of capital surplus were as follows:

		December 31, 2015	December 31, 2014
From issuance of share capital	$	484	484
From long-term investment		373,501	377,523
	$	**373,985**	**378,007**

In accordance with the Company Act amended in 2012, realized capital reserves can only be capitalized or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves that can be capitalized shall not exceed 10 percent of the actual share capital amount.

C. Retained earnings

The Company's articles of incorporation require that after-tax earnings first be offset against any deficit, and 10% of the balance be set aside as legal reserve. Aside from the aforesaid legal reserve, the Company may, under its articles of incorporation, appropriate or reverse a special reserve. The remaining balance of the earnings, if any, is distributed as follows:

(a) 2% as remuneration for directors and supervisors.

(b) 2%-8% as employee bonuses.

The remaining earnings, if any, may be appropriated according to a resolution of a stockholders' meeting.

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.

In accordance with the Company Act amended in 2015, employee bonuses and directors' and supervisors' remuneration are no longer distributed from earnings. The Company will amend its articles of incorporation in this regard before the date prescribed by the Authority.

(a) 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.

(b) 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, 2015 and 2014, 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.

(c) Earnings distribution

For the year ended December 31, 2014, employee bonuses and directors' and supervisors' remuneration of $14,034 and $14,034, respectively, were approved for distribution. The distribution agreed with those accrued in the non-consolidated financial statements for the year ended December 31, 2014.

On June 16, 2015, and June 24, 2014, the Company's shareholders' meeting resolved to appropriate the 2014 and 2013 earnings. These earnings were distributed as dividends as follows:

	2014		2013	
	Amount per share (dollars)	**Amount**	**Amount per share (dollars)**	**Amount**
Dividends to ordinary shareholders:				
Cash	$ 2.50	621,625	2.00	466,072
Stock	-	-	0.67	156,135
Total		**$ 621,625**		**622,207**

D. Other equity accounts (net of tax)

		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		-	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**
Balance, January 1, 2014	$	18,066	-	18,066
Share of exchange differences of subsidiaries and associates accounted for using equity method		27,658	-	27,658
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method		-	(10,821)	(10,821)
Balance, December 31, 2014	**$**	**45,724**	**(10,821)**	**34,903**

(15) Earnings per share

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

		For the Years Ended December 31	
		2015	**2014**
Basic earnings per share			
Profit attributable to ordinary shareholders	**$**	**1,211,018**	**779,645**
Weighted-average number of ordinary shares		248,650	248,650
	$	**4.87**	**3.14**
Diluted earnings per share			
Profit attributable to ordinary shareholders (diluted)	**$**	**1,211,018**	**779,645**

		For the Years Ended December 31	
		2015	2014
Weighted-average number of ordinary shares		248,650	248,650
Effect of potentially dilutive ordinary shares			
Employee stock bonus		281	258
Weighted-average number of ordinary shares (diluted)		**248,931**	**248,908**
	$	**4.86**	**3.13**

(16) Revenue

		For the Years Ended December 31	
		2015	2014
Sale of goods	$	2,690,357	2,305,882
Service		48,599	78,325
	$	**2,738,956**	**2,384,207**

(17) Remuneration for employees, and directors and supervisors

Based on the Company's amended articles of incorporation which have been approved by the Board of Directors but have not been approved by the shareholders' meeting, remuneration for employees, and 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, 2015, remuneration for employees, and directors and supervisors of $22,373 and $21,468, respectively, was estimated and recognized as current expense. These amounts were calculated using the Company's profit before tax before remuneration for employees, and directors and supervisors for the year ended December 31, 2015. These benefits were charged to profit or loss under operating expenses for the year ended December 31, 2015. Management expects that 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.

(18) Non-operating income and expenses

A. Other income

		For the Years Ended December 31	
		2015	2014
Interest income	$	2,767	2,190
Rental income		14,837	13,685
Other income		41,920	69,765
	$	**59,524**	**85,640**

B. Other gains and losses

		For the Years Ended December 31	
		2015	2014
Foreign exchange gain (loss)	$	9,498	(4,065)
Gain on disposal of investment		-	483,809
Gain on disposal of property, plant and equipment		33	784
Other		(1,301)	(4,155)
	$	**8,230**	**476,373**

C. Finance costs

		For the Years Ended December 31	
		2015	2014
Interest expenses	**$**	**25,467**	**19,831**

(19) Reclassification of other comprehensive income

		For the Years Ended December 31	
		2015	2014
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method:			
Profit (loss) for the year	$	256,577	3,220
Less: adjustment for gains recognized in profit		(51,587)	-
Net profit (loss) recognized in other comprehensive income	**$**	**204,990**	**3,220**

(20) Financial instruments

A. Credit risk

(a) Exposure to credit risk

The carrying amount of financial assets represents the Company's maximum credit exposure. Such maximum credit exposure on December 31, 2015 and 2014, amounted to $1,676,484 and $1,001,663, respectively.

(b) 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, 2015 and 2014, the accounts receivable from the Company's top ten customers represented 69% and 37%, respectively, of accounts receivable. Except for the Company's biggest client, company A, the Company is not exposed to a single counterparty or to a group of counterparties which have similar credit risk characteristics. As of December 31, 2015 and 2014, the Company's concentration credit risk with company A represented 43% and 0%, respectively, of accounts receivable.

B. 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, 2015						
Non-derivative financial liabilities						
Unsecured bank loans	$	1,900,000	1,925,437	1,218,061	707,376	-
Non-interest-bearing liabilities (including related parties)		944,809	944,809	944,809	-	-
	$	**2,844,809**	**2,870,246**	**2,162,870**	**707,376**	**-**
December 31, 2014						
Unsecured bank loans	$	1,815,960	1,820,358	1,820,358	-	-
Non-interest-bearingliabilities (including related parties)		496,244	496,244	496,244	-	-
	$	**2,312,204**	**2,316,602**	**2,316,602**	**-**	**-**

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

C. Currency risk

(a) Exposure to currency risk

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

	December 31, 2015			December 31, 2014		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 16,867	32.825	553,659	3,769	31.65	119,299
JPY	42,891	0.27	11,581	3,100	0.27	820
Nonmonetary items						
USD	556	32.825	18,259	409	31.41	12,847
CNY	50,550	5.00	252,497	45,546	5.07	230,918
THB	199,805	0.92	182,742	150,094	0.96	144,090

	December 31, 2015			December 31, 2014		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
Financial liabilities						
Monetary items						
USD	13,000	32.825	426,725	2,400	31.65	75,960

(b) 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, 2015 and 2014, would have increased or decreased the after-tax net income by $4,981 and $670, respectively. The analysis is performed on the same basis for both periods.

(c) 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, 2015 and 2014, the foreign exchange gain, including both realized and unrealized, amounted to $9,498 and $4,065, respectively.

D. 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 $2,170 and $872 for the years ended December 31, 2015 and 2014, respectively, assuming all other variable factors remained constant.

E. 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):

(a) Categories of financial instruments

	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 (including related party)	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 (including related party)	795,088	-	-	-	-
Guarantee deposit received	2,631	-	-	-	-
Total	**$ 2,847,440**	-	-	-	-

	December 31, 2014				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at cost	$ 10,048	-	-	-	-
Loans and receivables					
Cash and cash equivalents	356,917	-	-	-	-
Notes receivable and accounts receivable (including related party)	528,776	-	-	-	-
Other receivables (including related party)	61,392				
Other financial assets	10,059	-	-	-	-
Cash surrender value of life insurance	8,484	-	-	-	-
Refundable deposits	25,987	-	-	-	-
Total	**$ 1,001,663**	**-**	**-**	**-**	**-**

	December 31, 2014				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at amortized cost					
Bank loans	$ 1,740,000	-	-	-	-
Notes payable and accounts payable (including related party)	114,665	-	-	-	-
Other payables (including related party)	457,539	-	-	-	-
Guarantee deposit received	1,996	-	-	-	-
Total	**$ 2,314,200**	-	-	-	-

(b) 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:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- 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).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) 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.

(d) 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.

(e) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended in December 31, 2015 and 2014, so there was no transfer between levels.

(21) Financial risk management

A. 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.

B. 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.

C. 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.

(a) 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.

(b) 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.

(c) Guarantees

The Company did not provide any endorsement or guarantee as of December 31, 2015 and 2014.

D. 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.

E. 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.

(22) 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, 2015	December 31, 2014
Total liabilities	$	3,326,472	2,642,140
Less: cash and cash equivalents		(490,702)	(356,917)
Net debt		2,835,770	2,285,223
Total capital		5,101,301	4,194,878
Adjusted capital	**$**	**7,937,071**	**6,480,101**
Debt-to-equity ratio		**35.73%**	**35.27%**

7. RELATED-PARTY TRANSACTIONS

(1) List of subsidiaries

Subsidiary	Location	Shareholding ratio	
		2015.12.31	**2014.12.31**
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%

(2) Ultimate parent company

The Company is the ultimate parent company.

(3) Significant transactions with related parties

A. Operating revenue

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

		For the years ended December 31 2015	2014
Subsidiaries	$	132,360	119,868
Associates		61,331	66,574
Other related parties		2,399	4,815
	$	**196,090**	**191,257**

(a) 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.

(b) 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.

(c) 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.

B. Service revenue

Recognized item	Category	For the Years Ended December 31 2015	2014
Service revenue	Subsidiaries	$ 2,241	-
	Other related parties	6,990	10,210
		$ 9,231	**10,210**

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

C. Commission revenue

Recognized item	Category	For the Years Ended December 31 2015	2014
Commission revenue	Subsidiaries	**$ 5,256**	**27,994**

D. 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	For the Years Ended December 31 2015	2014
Purchases	Subsidiaries	$ 4,126	11,485
	Other related parties	32,495	33,846
		$ 36,621	**45,331**

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.

E. Rental revenue

			For the Years Ended December 31	
Recognized item	**Category**		**2015**	**2014**
Rental revenue	Subsidiaries	$	3,217	3,172
	Associates		1,924	2,562
	Other related parties		1,995	1,551
		$	**7,136**	**7,285**

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

F. Other income

			For the Years Ended December 31	
Recognized item	**Category**		**2015**	**2014**
Other income	Subsidiaries	$	5,795	8,795
	Associates		8,410	10,509
	Other related parties		357	1,936
		$	**14,562**	**21,240**

(a) Based on management services agreements, associates pay the Company for human resource services, daily accounting tasks, marketing plans, or new drug development.

(b) The revenue from subsidiaries included warehouse fees and commissioned research expense. Warehouse fees are determined by industry rates, and the payment is received within the next month. The Company uses cost-plus pricing for commissioned research expense, and the payment is received within 30 days after the invoice date.

(c) The credit term for revenue from human resource services and daily accounting tasks is three months.

G. Other transactions

The Company provided related parties with human resource and research and development services for the year ended December 31, 2014, and charged each subsidiary and associate. It was recognized as contra-operating expense of $7,197.

(4) Liabilities with related parties

Recognized item	Category		December 31, 2015	December 31, 2014
Notes receivable	Associates	$	-	202
	Other related parties		342	205
		$	**342**	**407**
Accounts receivable	Subsidiaries	$	9,487	14,221
	Associates		22,529	14,636
	Other related parties		-	205
		$	**32,016**	**29,062**
Other receivables	Subsidiaries	$	8,895	31,765
	Associates		18,101	25,540
	Other related parties		539	23
		$	**27,535**	**57,328**
Guarantee deposit received	Other related parties	**$**	**4,708**	**6,380**
Accounts payable	Other related parties	**$**	**4,814**	**4,960**
Other payables	Subsidiaries	$	11,238	96
	Associates		3,240	1,418
	Other related parties		1,577	3,184
		$	**16,055**	**4,698**
Other short-term loans	Subsidiaries	**$**	**-**	**75,960**
Other current liabilities (Note)	Subsidiaries	**$**	**426,725**	**-**

Note: Subsidiaries lend capital to the Company. Please refer to Note 13 for relevant information.

(5) Key management personnel compensation

		For the Years Ended December 31	
		2015	**2014**
Salaries and other short-term employee benefits	$	47,285	38,952
Post-employment benefits		557	485
	$	**47,842**	**39,437**

8. PLEDGED ASSETS

As of December 31, 2015 and 2014, pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2015	December 31, 2014
Investment property	Bank loans, letters of credit	$ 60,881	61,467
Other financial asset —noncurrent	Provisional guarantee	120,010	-
		$ 180,891	**61,467**

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(1) 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 $33,922 and $33,382 for the years ended December 31, 2015 and 2014, respectively.

(2) The Company signed the grant agreement "The Integration Project of RTIA07 Antibody Drug Development and Platform Technique" with the Ministry of Economic Affairs in September 2010. The total budget for the project amounted to $167,955, and the period was from August 1, 2010, to October 31, 2015. The grant for the project amounted to $75,580. The Ministry of Economic Affairs agreed to close the project early on February 17, 2015, and the actual grant amounted to $64,485.

(3) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to $709,211 and $829,935, and the unpaid amount was $89,054 and $150,505 as of December 31, 2015 and 2014, respectively.

(4) As of December 31, 2015 and 2014, guaranteed notes for bank loans, the sale of medicine, and research and development amounted to $0 and $75,580, respectively.

(5) As of December 31, 2015 and 2014, performance bonds from financial institutions for the sale of medicine amounted to $31,106 and $13,032, respectively.

(6) The Company donated $34,784 and $97,383 to related medical foundations and associationsto to support non-profit organizations developing drugs and promoting disease prevention and correct dosage in the years ended December 31, 2015 and 2014, respectively.

(7) In June 2015, the Taipei District Prosecutors Office filed a lawsuit against the ex-chairman00, 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.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS

Under Article 10 of the Securities Investor and Futures Trader Protection Act, the Company's ex-chairman, Rong-Jin Lin, was sued by the Securities and Futures Investors Protection Center for his discharge from the office of chairman of the board on January 19, 2016. The suit is being heard by the Taiwan Taipei District Court.

12. OTHERS

(1) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

	For the year ended December 31, 2015			For the year ended December 31, 2014		
By item	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	$ 188,486	340,371	528,857	164,640	390,886	555,526
Health and labor insurance	13,580	23,809	37,389	12,713	24,700	37,413
Pension	7,239	13,932	21,171	6,942	15,054	21,996
Others	5,821	76,253	82,074	4,014	43,881	47,895
Depreciation	59,418	34,453	93,871	58,849	35,449	94,298
Amortization	29	13,703	13,732	-	17,531	17,531

The Company had total employees of 489 and 475 in the years 2015 and 2014, respectively.

(2) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

13. ADDITIONAL DISCLOSURES

(1) 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 Company for 2015:

(a) Loans extended to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year (Note 4)	Ending balance (Note 5)	Amount actually drawn	Interest rate	Nature of financing (Note 1)	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company (Note 2)	Maximum financing limit for the lender (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	Receivables from related parties	YES	116,119	93,222 CNY18,663	93,222 CNY18,663	0.5%	2	-	Operating capital	-	-	-	252,497 CNY50,549	252,497 CNY50,549
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	YES	98,610	98,475 USD3,000	98,475 USD3,000	0.8%	2	-	Operating capital	-	-	-	100,999 CNY20,220	100,999 CNY20,220
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	YES	403,850	328,250 USD10,000	328,250 USD10,000	0.8%	2	-	Operating capital	-	-	-	609,675	609,675

The exchange rate of USD to NTD as of the reporting date is 1:32.825, and the average exchange rate of USD to NTD as of the reporting date is 1:31.716.

The exchange rate of CNY to NTD as of the reporting date is 1:4.995, and the average exchange rate of CNY to NTD as of the reporting date is 1:5.04.

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, 2015.

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.

(b) Guarantees and endorsements for other parties: None.

(c) Securities held as of December 31, 2015 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars/Thousand Shares)

Name of holder	Category and name of securities	Relationship with the security issuer	Recorded account	Ending balance				Note
				Shares	Carrying value	Holding percentage	Fair value	
The Company	Lumosa Therapeutics Co., Ltd.	A director of the Company is its chairman.	Available-for-sale financial assets – non-current	1,600	134,384	1.90%	134,384	-

(d) The accumulated purchase or sale of securities exceeding NT$300 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars/Thousand Shares)

Name of holder	Category and name of securities	Account name	Counter-party of transaction	Relationship	Beginning balance		Purchases		Sales				Ending balance	
					Shares	Amount	Shares	Amount	Shares	Price (Note 1)	Carrying value (Note 2)	Gain (loss) on disposal	Shares	Amount
Xudong Haipu International Co., Ltd.	Ordinary shares; TTY International Co., Ltd.	Investments accounted for using equity method	GL SAINO Investment Limited	-	111	516,425	-	-	111	629,075	509,453	119,623	-	-
〃	Ordinary shares; TOT Biopharm International Company Limited	〃	Center Laboratories, Inc., Vivo Capital Fund VIII, L.P., Vivo Capital Surplus Fund VIII, L.P., JunXin International Limited, Formosa Laboratories, Inc., and Mirui Mengdi Investment Limited	-	23,932	402,829	-	-	23,932	785,921	296,270	489,651	-	-

Note 1:The price is after deducting related transaction tax and processing fee.

Note 2:Including investment income and loss, and change in other equity.

(e) Acquisition of real estate which exceeds NT$300 million or 20% of the paid-in capital: None.

(f) Disposal of real estate which exceeds NT$300 million or 20% of the paid-in capital: None.

(g) Total purchases from and sales to related parties which exceed NT$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	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 (Note 1)	Percentage of total notes/accounts receivable (payable)	
The Company	TSH Biopharm Co., Ltd.	Subsidiary	Sale	127,692	4.66%	30 days	Normal	-	5,581	0.67%	

(h) Receivables from related parties which exceed NT$100 million or 20% of the paid-in capital: None.

(i) Trading in derivative instruments: None.

(2) Information on investees

The following is the information on investees for the year ended December 31, 2015:

(In Thousands of New Taiwan Dollars/Thousands of Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2015			Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2015	December 31, 2014	Shares	Percentage of ownership	Carrying value			
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00%	1,524,187	512,806	512,806	Subsidiary
〃	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00%	176,334	54,090	21,636	Investments accounted for using equity method

(English Translation of Financial Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2015			Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2015	December 31, 2014	Shares	Percentage of ownership	Carrying value			
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	21,059	459	87.00%	3,055	(3,844)	(3,343)	Subsidiary
〃	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	371,070	371,070	19,701	19.32%	610,352	394,022	76,152	Investments accounted for using equity method
〃	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00%	16,988	26,371	10,549	Investments accounted for using equity method
〃	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00%	252,497	8,555	8,555	Subsidiary
〃	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48%	768,231	82,890	46,817	Subsidiary
〃	CY Biotech Co., Ltd.	Taiwan	Selling functional food	57,000	57,000	5,700	27.84%	42,018	(36,811)	(10,248)	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	TTY International Co., Ltd.	Hong Kong	Investing activities	-	121,599	-	-%	-	36,172	12,272	Note 1
〃	TOT Biopharm International Company Limited	Hong Kong	Investing activities	-	709,728	-	-%	-	(245,641)	(100,492)	Note 1
TSH Biopharm Co., Ltd.	Pharmira Laboratories, Inc.	Taiwan	Developing biotechnology	70,000	70,000	5,250	31.82%	55,582	(25,127)	(10,251)	Investments accounted for using equity method

Note 1: In December 2015, Xudong Haipu International Co., Ltd. disposed of 40% of ownership in TTY International Co., Ltd. and 40.91% of ownership in TOT Biopharm International Company Limited.

(3) Information on investment in Mainland China

(a) Information on investees in Mainland China:

(In Thousands of New Taiwan Dollars/Foreign Currencies)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of invest-ment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2015	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2015	Net income (losses) of the investee	Holding percent-age	Investment income (losses) (Note 2)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow						
Shanghai Xudong Haipu Pharmaceutical Co., Ltd.	Producing and selling Eastern and chemical medicine	311,115 USD 9,478	(2)	121,599	-	121,599	-	73,179	22%	16,099	- (Note 4)	58,414
Worldco Biotech Pharmaceutical Ltd.	Marketing consulting regarding chemical medicine	334,815 USD 10,200	(2)	323,433	-	-	323,433	(6,522) CNY(1,294)	100%	(6,522) CNY(1,294)	(110,015) CNY(22,025)	-
Chengdu Shuyu Pharmaceutical Co., Ltd.	Selling chemical medicine	59,441 CNY 11,900	(2)	100,549 CNY 20,130	-	-	100,549 CNY 20,130	(318) CNY (63)	100%	(318) CNY (63)	64,421 CNY 12,897	-
Jiang Su Biopharm Tech Co., Ltd.	Selling and developing medicine	65,650 USD 2,000	(2)	27,542 USD 849	-	27,542 USD849	-	(1,586) CNY (315)	40.91%	(649) CNY (129)	- (Note 4)	-
TOT Shanghai R&D Center Co., Ltd.	Developing medicine	122,437 USD3,730	(2)	54,305 USD1,674	-	54,305 USD1,674	-	(7,104) CNY(1,411)	40.91%	(2,906) CNY(577)	- (Note 4)	-
TOT Biopharm Company Limited	Producing and developing medicine	1,759,157 USD53,592	(2)	596,932 USD18,401	-	596,932 USD18,401	-	(217,594) CNY(43,218)	40.91%	(89,018) CNY(17,680)	- (Note 4)	-

The exchange rate of USD to NTD as of the reporting date is 1:32.825, and the average exchange reate of USD to NTD as of the reporting date is 1:31.716.

The exchange rate of CNY to NTD as of the reporting date is 1:4.995, and the average exchange reate of CNY to NTD as of the reporting date is 1:5.04.

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.

Note 4: Shanghai Xudong Haipu Pharmaceutical Co., Ltd., Jiang Su Biopharm Tech Co., Ltd., TOT Shanghai R&D Center Co., Ltd. and TOT Biopharm Company Limited were disposed of by Xudong Haipu International Co., Ltd. in December 2015.

(b) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 423,982	1,533,837 (USD 46,728)	NTD 3,060,781

(c) Significant transactions: Please refer to Note 7.

14. SEGMENT INFORMATION

Please refer to the consolidated financial report for the years ended December 31, 2015 and 2014.

VII. Financial Analysis

1. Financial Analysis

Comparison and Analysis of consolidated financial conditions

Unit: NT$ Thousand

Item \ Year	2014	2015	Difference	
			Amount	%
Current assets	2,652,811	4,301,026	1,648,215	62.13
Fixed assets	2,302,285	2,295,527	(6,758)	(0.29)
Other assets	419,891	501,891	82,000	19.53
Total assets	7,374,034	8,804,714	1,430,680	19.40
Current liabilities	2,492,302	2,068,934	(423,368)	(16.99)
Long-term liabilities	249,292	1,040,830	791,538	317.51
Total liability	2,741,594	3,109,764	368,170	13.43
Capital stock	2,486,500	2,486,500	−	−
Additional paid-in capital	378,007	373,985	(4,022)	(1.06)
Retained earnings	1,295,468	1,880,805	585,337	45.18
Total shareholder’s equity	4,632,440	5,694,950	1,062,510	22.94

(1) Main Reasons for Critical Change Items:

① Reasons for current assets increase are mainly due to increase of current profits as well as increases in cash, cash equivalent and other account receivables from disposal of equity method investments.

② Increase in asset total amount is mainly due to increase in current assets as well as increase in prepaid equipment from factory expansion.

③ Decrease in current liabilities as well as increase in long term liabilities are due to repayment of some short term loans and increase in long term loans for the purpose of improving financial structure.

④ Increase in liabilities total amount is mainly due to increase in long term loans in response to increase in real property, factory and equipment.

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

Comparison and Analysis of Consolidated Financial Performance

Unit: NT$ Thousand

Item / Year	2014	2015	Increase (Decrease) Amount	Changes (%)
Net operating income	2,979,902	3,195,218	215,316	7.23
Operating cost	1,087,903	1,006,869	(81,034)	(7.45)
Add：Realized sales profit or loss	26,428	1,203	(25,225)	(95.45)
Less：Unrealized sales profit or loss	19,491	6,408	(13,083)	(67.12)
Gross profit	1,898,936	2,183,144	284,208	14.97
Operating expense	1,560,841	1,393,357	(167,484)	(10.73)
Operating net income	338,095	789,787	451,692	133.60
Non-Operating income and expense	571,745	735,808	164,063	28.70
Income from continuing operations before income taxes	909,840	1,525,595	615,755	67.68
Income tax expense	98,145	279,003	180,858	184.28
Net income for continuing operations	811,695	1,246,592	434,897	53.58
Cumulative Effect of Changes in Accounting Principle	–	–	–	–
Net income for division	–	–	–	–
Net income	811,695	1,246,592	434,897	53.58

(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 Increase in income tax is mainly due to income tax expense increase from operating revenue increase as well as recognition of income tax from investment transaction disposal.

④ Increase in current net profit is mainly due to growth in operating revenue as well as profit increase from investment disposal.

(2) Expected Sales Volume and Expectation Basis:

For 2016, the Company expects to sell oral preparation of 374,000,000 granules and 3,100,000 injections. The Company forms its expected sales volumes based on IMS statistics 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

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	Financial Plan
356,917	598,213	464,428	490,702	—	—

(1) Analysis of Cash Flows in the Most Recent Year:

① Operational activities: Inflow of NT$598,213 thousand is mainly due to NT$1,211,018 thousand pure profit generated in current period.

② Investment activities: Net outflow of NT$354,203 thousand is mainly due to NT$120,837 thousand increase in other financial assets, NT$62,125 thousand for fixed asset acquisition as well as NT$156,891 thousand for prepaid equipment

③ Financial activities: Net outflow of NT$110,225 thousand is mainly due to NT$426,725 thousand loan to subsidiary as well as 2014 cash dividend distribution of NT$621,625 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
490,702	827,431	997,654	320,056	—	—

① Expected Whole-Year Net Cash Flow from Operating Activities: NT$827,431 thousand which is mainly due to profit generated from expected operating revenue growth for 2016. As such, operating activity net cash inflow is a positive figure.

② Expected Whole-Year Cash Outflow: NT$ 997,654 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

(1) The Use of Significant Capital Expenditures and the Source of Funds:

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	
				2015	2016
Injection Plant Established in Liudu Plant	The Company's Own Fund and Bank Loan	2016	152,878	94,545	58,333
Microsphere Preparation Plant Established in Liudu Plant	The Company's Own Fund and Bank Loan	2016	149,808	80,735	69,073

(2) Expected Potential Revenue Generated:

① Expected Volume, Value and Gross Profit Increase

Unit: NT$ Thousand

Year	Item	Product Capacity	Sales Volume	Sales Revenue	Gross Profit
2016	Pharmaceutical Formulation	—	—	—	—
2017	Pharmaceutical Formulation	—	—	44,394	31,375
2018	Pharmaceutical Formulation	—	—	453,573	325,151

Note: This is excluded due to different units for production quantity.

② Other Benefits

(i) Enhanced professional production structure is good for exploration of international business.

(ii) Implementation of reasonable management and integration of company resources for the purpose of exploring global logistics efficiency.

5. Investment Policy in Fiscal Year 2015, 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, Lumosa Therapeutics Company Limited.

② Strategic Alliance for Access to New Market Channel such as: Worldco International Limited’s re-investment in Chengdu ShuYu Pharmaceutical Company Limited、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” has been licensed successfully in 2011 and 3rd phase pancreatic cancer clinical trial has been conducted globally. Taiwan TFDS new drug inspection and registration has been approved in October 2015 and US FDA approval has also been obtained. PHARMAENGINE, INC. enjoyed 2015 after tax net profit of NT$394,022 thousand because it received a US$16M milestone award fund. As such, the Company recognized investment profit of NT$76,152 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 International Co. 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：

2015

Item	Interest Income (Expenditure)	Exchange Profit (Loss)
Net Amount	(15,702) thousand	27,568 thousand
Percentage over Net Revenue	-0.49%	0.86%
Percentage over Pre-tax Net Profit	-1.03%	1.81%

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. As such, changes in foreign exchange rates do not pose significant impact over the Company and its subsidiary's profit or loss.

(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 2016 is expected to reach NT$307,431 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.

The responsive measures：

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 Risks , and the Responsive Measures of Merge & Acquisition：None。

(8) The Expected Benefits, Possible Risks , 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：

The largest vendor from which the Company purchases accounts for 12.06% of the Company's total purchase amount in 2015. This is because the Company is the vendor's major distributor in Taiwan market. It is a vendor with long term collaboration and steady product supply, and the possibility of risks incurred is extremely low. Furthermore, the Company expands product line through distributorship. This has positive influence over the Company's long term development.

In addition, sales amount for all of the Company's 2015 top 10 clients did not reach 20% of net sales amount for the whole year. As such, there is no risk of overly concentrated 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 director, supervisor or major shareholder holding more than 10% of shares.

(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：

The Company’s former Chairman of the Board Lin, Jung-Chin is involved in aggravated breach of trust offense prescribed in Securities and Exchange Act. In June 2015, Taipei District Prosecutor’s Office filed a public prosecution under the reason that former Chairman of the Board Lin, Jung-Chin violated Securities and Exchange Act. Currently, this litigation is still being reviewed by Taipei District Court and litigation result is still not foreseeable.

Additionally, Securities and Futures Investor Protection Center filed a director duty discharge litigation against former Chairman of the Board Lin, Jung-Chin in accordance with Paragraph 1, Article 10-1 of Securities Investor and Futures Trader Protection Act on January 19th, 2016. This litigation is currently being reviewed by Taiwan Taipei District Court.

Result of the final judgment is not expected to have significant impact to shareholder’s rights or securities price of the Company.

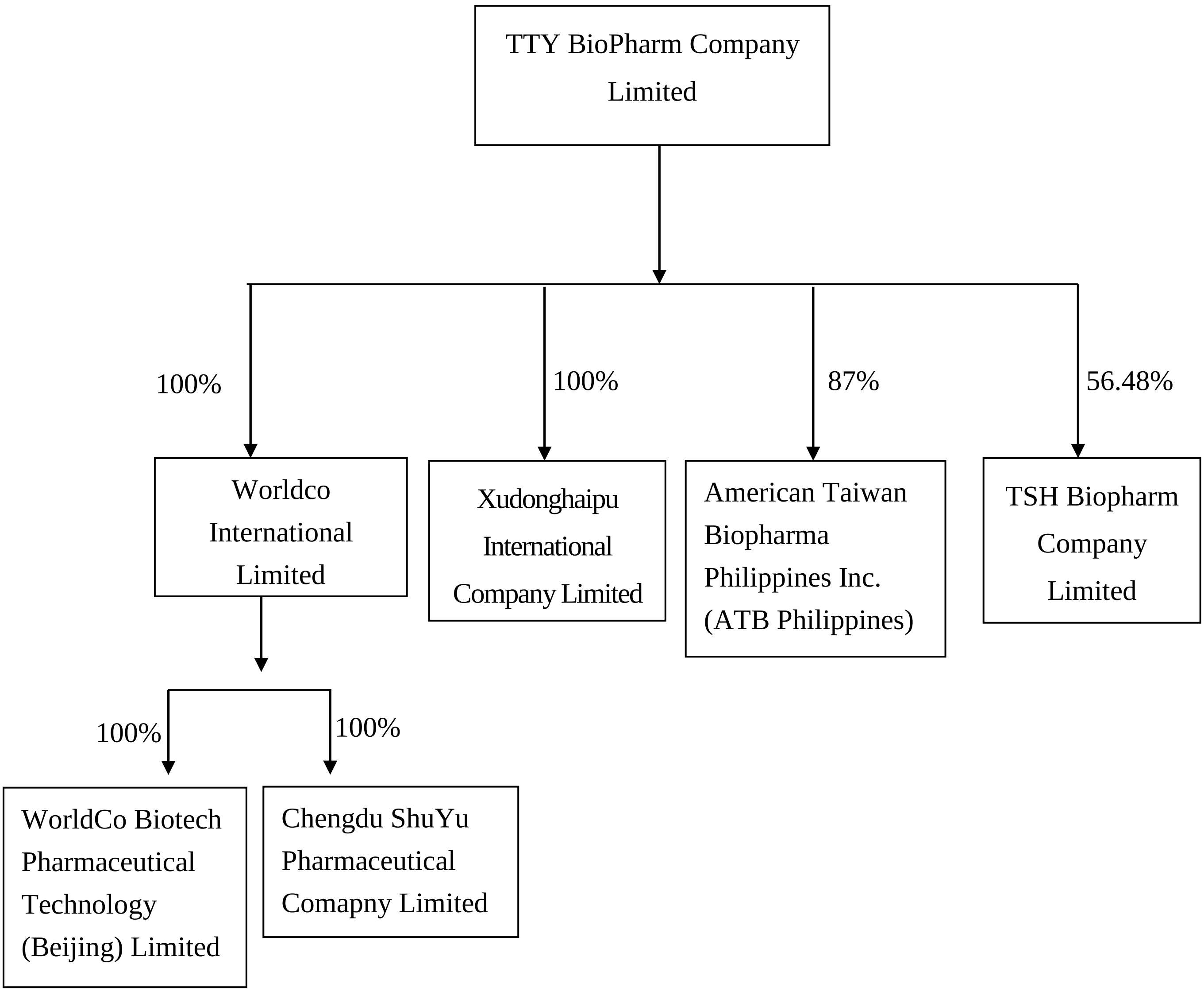
(13) Other Material Risks and The Responsive Measures: None.。

7. Other Important Matters：None

VIII. Special Notes

1. Subsidiaries

(1) Subsidiaries Chart (12/31/2015)



(2) Subsidiaries

Unit: NT$ Thousand as of Dec.31, 2015

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 1201, 12/F.,Wah Yuen Building, 149 Queen's 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
Chengdu ShuYu Pharmaceutical Company Limited	2012.02	No.713-717, Building 3, No. 133, Sec. 3, Erhuanluxi, Jinniu District, Chengdu City, Sichuan Province	RMB 11,900	Sales of Drug
American Taiwan Biopharma Philippines Inc.	2003.08	Unit 1007-A, Tektite West Tower, Philippines Stock Exchange Center Exchange Road, Ortigas Center Pasig City	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) Business Scope of TTY and Its Subsidiaries：

Name of Affiliated Enterprise	Market
TTY BioPharm Company Limited	Drug R&D, Manufacturing and Sales in Taiwan
TSH Biopharm Company Limited	Sales of Drug
American Taiwan Biopharma Philippines Inc.	Sales of Drug in Philippines
Worldco International Limited	Drug Marketing
Chengdu ShuYu Pharmaceutical Company Limited	Sales of Drug
WorldCo Biotech Pharmaceutical Technology(Beijing) Limited	Drug Marketing in China

(5) Rosters of Directors, Supervisors, and Presidents of Subsidiaries

Unit: NT$ Thousand as of Dec.31, 2015

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: Lin, Jung-Chin		
	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	Cheng , Jui-Hsiung	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: Lin, Jung-Chin		
	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: Lin, Jung-Chin		
	Director	Worldco International Limited Representative: Hsiao, Ying-Chun		
	Director	Worldco International Limited Representative: Chang, Wen-Hwa		
	Director	Worldco International Limited Representative: Wu, Min-Che		
Chengdu ShuYu Pharmaceutical Company Limited	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: Lee , Chen-Hsen	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Hsiao, Ying-Chun		
	Director	TTY BioPharm Company Limited Representative: Chang, Wen-Hwa		
	Independent Director	Kuo , Ming-Cheng	—	—
	Independent Director	Lee , Yuan-Teh	—	—
	Independent Director	Chen, Chung-Yang	—	—
	Supervisor	Lu, Chiang-Chuan	306,000	0.80%
	Supervisor	Lay, Kuen- Horn	—	—
	Supervisor	Liu, Hsin-Young	—	—
	Supervisor	Lirong Technology Company Limited Representative：Lin, Jung-Chin	435,989	1.14%
	General Manager	Chen,Chun-Liang	222,161	0.58%

(6) Operational Highlights of Subsidiaries (Note)

Unit: NT$ Thousand as of Dec.31, 2015

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	1,619,926	95,739	1,524,187	—	(1,893)	512,806	20.51
Worldco International Limited	82,458	297,370	44,873	252,497	70,575	12,791	8,555	N/A
WorldCo Biotech Pharmaceutical Technology(Beijing) Limited	334,815	30,685	140,698	(110,013)	(336)	(2,165)	(6,522)	N/A
Chengdu ShuYu Pharmaceutical Company Limited	59,441	84,605	28,521	56,084	—	(510)	(318)	N/A
American Taiwan Biopharma Philippines Inc.	37,768	13,767	8,232	5,535	11,915	(3,623)	(3,844)	N/A
TSH Biopharm Company Limited	383,981	1,461,230	98,741	1,362,489	513,651	36,800	82,890	2.16

Foreign exchange rates are as follows:

$1 RMB = $4.9950 NT, $1 PHP = $0.7172 NT, $1 USD = $32.8250 NT

(7) 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, 2015 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

May 30, 2016

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:

(i) Impairment assessment process and recognition percentage

a. Individual assessment is conducted over top 10 clients' account receivables to verify if there is any impairment incurred.

b. Respective independent assessments are also conducted on export clients with increased risk in collecting account receivables due to foreign exchange control as well as subsidiary and invested company adopting equity method due to their critical impact.

c. 100% impairment will be estimated over accounts without transaction for almost 180 days or with cases of bounced check.

d. In addition to aforementioned respective account receivables assessments, management over remaining major impairment (recognition percentage for bad debt allowance) is as following table:

With respect to if different channels exceed their credit extension limits, average impairment percentages defined based on previous experience are as follows:

Type of Channel	Exceeded Credit Extension Amount Impairment Rate	Not-Exceeding Credit Extension Amount Impairment Rate
AGENT	50%	5%
Local Hospital	50%	4%
Cooperative Store	50%	6%
Clinic	50%	6%
Medical Center	50%	2%
OEM	50%	2%
Others	50%	6%
Oversea Sales	50%	3%
Regional Hospital	50%	3%

(ii) Account receivables impairment regression (write off) and recognition of actual bad debt:

In the event of the following circumstances, it will be regarded as actual occurrence of bad debt and legitimate documents shall be prepared to write off bad debt allowance.

a. All or part of creditor's rights cannot be retrieved due to debtor's closure of business, escape, reorganization, settlement or bankruptcy adjudication or other reason;

b. Un-retrieved principal or interest after collection conducted over 2-year overdue creditor's rights.

② Assessment on allowance for inventory market price decline loss and obsolete and slow-moving inventory:

Loss from Market Price Decline:

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.

Loss for Obsolete and Slow-Moving Inventories:

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

Given that fact that there is no active market quotation and fair value cannot be evaluated in a reliable way for stock investments held by the Company, evaluation will therefore be conducted in costs. Impairment amount recognized is calculated based on specific event (accumulated impairment for original investment cost write-down is calculated based on loss compensation percentage from invested company’s capital reduction).

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

(iv) Details of the Company’s (including subsidiary’s) 2015 recognized impairment, depreciation and amortized non-financial asset are as fllows:

Unit: NT$ in thousands

Evaluated Impairment Items	Recognized as Current Profit/Loss	Recognized as Other Consolidated Profit/Loss	Reversal
Real Property, Factory and Equipment	96,421	(20)	—
Investment Property	355	—	—
Intangible Asset	21,853	(90)	—

Fair value for investment property is evaluated using transaction price for surrounding office building.

As for the Company and its subsidiary's expenditure invested in intangible asset such as technology transfer licensing fee, drug certificate purchase royalty under recognized patent items, or, operation management system, R&D clinical experiment system and ERP software royalty under computer software cost expenditure, the Company and its subsidiary continue to invest in manufacturing and R&D, or for operation normal utilization. With the exception of aforementioned intangible assets which have recognized impairment loss because expected future recoverable amount for drug manufactured under such drug certificate is lower than book value, the Company or its subsidiary have not detected circumstances which require impairment recognition.

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