TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2015 AND 2014

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To Taiwan Liposome Company

We have reviewed the accompanying consolidated balance sheets of Taiwan Liposome Company and subsidiaries as of September 30, 2015 and 2014, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, and statements of changes in equity and of cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Our reviews were made in accordance with the Statement of Auditing Standards No. 36, "Engagement to Review Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission (FSC).

PricewaterhouseCoopers, Taipei, Taiwan

October 29, 2015

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2015, DECEMBER 31, 2014 AND SEPTEMBER 30, 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2015 AND 2014 ARE UNAUDITED BUT REVIEWED)

		September 30, 2015		December 31, 2014		September 30, 2014	
Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current Assets							
Cash and cash equivalents	6(1)	$ 2,519,187	87	$ 2,958,467	91	$ 3,085,089	91
Accounts receivable, net	6(2)	24,084	1	5,818	-	5,869	-
Other receivables		16,854	1	4,966	-	1,798	-
Current income tax assets		4,015	-	3,395	-	2,825	-
Prepayments		31,115	1	23,879	1	37,274	1
Other current assets	8	828	-	1,881	-	2,269	-
Total Current Assets		2,596,083	90	2,998,406	92	3,135,124	92
Non-current Assets							
Property, plant and equipment	6(3) and 8	209,996	7	207,335	6	184,858	6
Intangible assets	6(4)	19,451	1	22,622	1	23,747	1
Deferred income tax assets		78	-	-	-	-	-
Other non-current assets	6(5) and 8	57,168	2	44,763	1	46,423	1
Total Non-current Assets		286,693	10	274,720	8	255,028	8
Total Assets		$ 2,882,776	100	$ 3,273,126	100	$ 3,390,152	100

(Continued)

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
SEPTEMBER 30, 2015, DECEMBER 31, 2014 AND SEPTEMBER 30, 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2015 AND 2014 ARE UNAUDITED BUT REVIEWED)

		September 30, 2015		December 31, 2014		September 30, 2014	
Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current Liabilities							
Short-term borrowings	6(6)	$ 20,000	-	$ -	-	$ -	-
Notes payable		-	-	251	-	1,074	-
Other payables	6(7)(24)	59,843	2	79,946	3	68,998	2
Other current liabilities	6(8)(9)	51,242	2	42,508	1	20,597	1
Total Current Liabilities		131,085	4	122,705	4	90,669	3
Non-current Liabilities							
Long-term borrowings	6(8)	71,750	3	39,692	1	41,636	1
Provisions for liabilities - non-current	6(12)	3,577	-	3,627	-	3,577	-
Other non-current liabilities	6(9)	30,021	1	35,898	1	7,387	-
Total Non-current Liabilities		105,348	4	79,217	2	52,600	1
Total Liabilities		236,433	8	201,922	6	143,269	4
Equity							
Equity Attributable to Owners of Parent							
Share capital	6(13)						
Common stock		555,866	19	554,033	17	553,099	16
Capital surplus	6(14)						
Capital surplus		2,651,879	92	3,194,719	98	3,160,552	93
Retained earnings							
Accumulated deficit	6(15)	(528,524)	(18)	(638,726)	(20)	(425,415)	(12)
Other equity							
Other equity interest		(16,817)	(1)	(38,822)	(1)	(41,353)	(1)
Treasury shares	6(13)	(16,061)	-	-	-	-	-
Equity attributable to owners of parent		2,646,343	92	3,071,204	94	3,246,883	96
Total equity		2,646,343	92	3,071,204	94	3,246,883	96
Significant contingent liabilities and unrecognised contract commitments	9						
Subsequent events	11						
Total Liabilities and Equity		$ 2,882,776	100	$ 3,273,126	100	$ 3,390,152	100

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

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNT)
(UNAUDITED BUT REVIEWED)

		Three months ended September 30				Nine months ended September 30			
		2015		2014		2015		2014	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating revenue	6(16)	$ 9,992	100	$ 9,973	100	$ 48,362	100	$ 85,187	100
Operating expenses	6(20)(21)								
General and administrative expenses		(34,533)	(346)	(27,754)	(279)	(106,889)	(221)	(73,888)	(87)
Research and development expenses		(171,461)	(1716)	(153,607)	(1540)	(501,344)	(1037)	(456,803)	(536)
Total operating expenses		(205,994)	(2062)	(181,361)	(1819)	(608,233)	(1258)	(530,691)	(623)
Operating loss		(196,002)	(1962)	(171,388)	(1719)	(559,871)	(1158)	(445,504)	(523)
Non-operating income and expenses									
Other income	6(17)	10,194	102	5,911	59	32,961	68	19,386	23
Other gains and losses	6(18)	688	7	1,691	17	694	2	1,912	2
Finance costs	6(19)	(685)	(7)	(296)	(3)	(1,864)	(4)	(958)	(1)
Total non-operating income and expenses		10,197	102	7,306	73	31,791	66	20,340	24
Loss before income tax		(185,805)	(1860)	(164,082)	(1646)	(528,080)	(1092)	(425,164)	(499)
Income tax expense	6(22)	(131)	(1)	(105)	(1)	(444)	(1)	(251)	-
Loss for the period		($ 185,936)	(1861)	($ 164,187)	(1647)	($ 528,524)	(1093)	($ 425,415)	(499)
Other comprehensive income									
Items that may be subsequently reclassified to profit or loss									
Financial statements translation differences of foreign operations		$ 2,284	23	$ 470	5	$ 1,271	3	$ 501	-
Total other comprehensive income for the period		$ 2,284	23	$ 470	5	$ 1,271	3	$ 501	-
Total comprehensive loss for the period		($ 183,652)	(1838)	($ 163,717)	(1642)	($ 527,253)	(1090)	($ 424,914)	(499)
Loss attributable to:									
Owners of the parent		($ 185,936)	(1861)	($ 164,187)	(1646)	($ 528,524)	(1093)	($ 425,415)	(499)
Total comprehensive loss attributable to:									
Owners of the parent		($ 183,652)	(1838)	($ 163,717)	(1642)	($ 527,253)	(1090)	($ 424,914)	(499)
Loss Per Share of Common Stock	6(23)								
Basic Loss Per Share (in dollars)		($ 3.37)		($ 3.00)		($ 9.59)		($ 7.77)	
Diluted Loss Per Share (in dollars)		($ 3.37)		($ 3.00)		($ 9.59)		($ 7.77)	

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

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

		Equity attributable to owners of the parent								
		Share Capital	Capital Reserves			Retained Earnings	Other Equity			
	Notes	Common stock	Additional paid-in capital	Share options	Restricted stock	Accumulated deficit	Exchange difference on translation of foreign financial statements	Unearned compensation	Treasury shares	Total equity
2014										
Balance at January 1, 2014		$ 546,288	$ 3,435,804	$ 12,371	$ -	($ 405,977)	($ 214)	$ -	$ -	$ 3,588,272
Share-based payments	6(11)	-	-	60,968	-	-	-	3,407	-	64,375
Employee stock options		3,741	19,956	(7,586)	-	-	-	-	-	16,111
Issuance of restricted stocks		3,070	-	-	45,016	-	-	(45,047)	-	3,039
Capital surplus used to cover accumulated deficit	6(15)	-	(405,977)	-	-	405,977	-	-	-	-
Loss for the period		-	-	-	-	(425,415)	-	-	-	(425,415)
Other comprehensive income for the period		-	-	-	-	-	501	-	-	501
Balance at September 30, 2014		$ 553,099	$ 3,049,783	$ 65,753	$ 45,016	($ 425,415)	$ 287	($ 41,640)	$ -	$ 3,246,883
2015										
Balance at January 1, 2015		$ 554,033	$ 3,054,569	$ 89,385	$ 50,765	($ 638,726)	$ 1,424	($ 40,246)	$ -	$ 3,071,204
Share-based payments	6(11)	-	-	95,111	-	-	-	15,633	-	110,744
Employee stock options		2,123	25,864	(19,563)	-	-	-	-	-	8,424
Cancellation of restricted stocks		(290)	-	-	290	-	-	-	-	-
Recall of restricted stocks		-	-	-	(249)	-	-	-	-	(249)
Restricted stocks vested		-	12,757	-	(12,757)	-	-	-	-	-
Adjustment of restricted stocks due to change in employee turnover rate		-	-	-	(5,567)	-	-	5,101	-	(466)
Capital surplus used to cover accumulated deficit	6(15)	-	(638,726)	-	-	638,726	-	-	-	-
Purchase of treasury shares		-	-	-	-	-	-	-	(16,061)	(16,061)
Loss for the period		-	-	-	-	(528,524)	-	-	-	(528,524)
Other comprehensive income for the period		-	-	-	-	-	1,271	-	-	1,271
Balance at September 30, 2015		$ 555,866	$ 2,454,464	$ 164,933	$ 32,482	($ 528,524)	$ 2,695	($ 19,512)	($ 16,061)	$ 2,646,343

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

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated loss before tax for the period		($ 528,080)	($ 425,164)
Adjustments to reconcile consolidated net loss to net cash used in operating activities			
Income and expenses having no effect on cash flows			
Share-based payments	6(11)	110,744	64,375
Depreciation	6(20)	36,928	32,602
Amortization	6(20)	6,260	5,291
Interest expense	6(19)	1,864	958
Interest income	6(17)	(15,344)	(18,229)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable, net		(18,266)	94
Other receivables		(12,313)	(37)
Prepayments		(7,236)	(1,990)
Net changes in liabilities relating to operating activities			
Notes payable		(251)	(1,717)
Other payables		(9,064)	13,922
Other current liabilities		(3,762)	(1,775)
Provisions for liabilities - non-current		(50)	-
Other non-current liabilities		(1,877)	710
Cash used in operations		(440,447)	(330,960)
Interest received		15,769	18,343
Interest paid		(1,818)	(971)
Income tax paid		(1,142)	(2,081)
Net cash used in operating activities		(427,638)	(315,669)

(Continued)

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	Notes	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other financial assets		$ 1,605	$ 5,793
Acquisition of property, plant and equipment	6(24)	(50,857)	(24,406)
Increase in other non-current assets		(2,688)	(20,006)
Increase in intangible assets	6(24)	(2,537)	(1,220)
Increase in refundable deposits		(721)	(1,479)
Net cash used in investing activities		(55,198)	(41,318)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		20,000	-
Proceeds from long-term borrowings		71,750	-
Payment of long-term borrowings		(47,191)	(14,637)
Increase in lease payable		38,537	-
Decrease in lease payable		(32,542)	-
Employee stock options		8,424	16,111
Issuance of restricted stocks		-	3,039
Cancellation of restricted stocks		(290)	-
Recall of restricted stocks		(64)	-
Payments to acquire treasury shares		(16,061)	-
Net cash provided by financing activities		42,563	4,513
Effect due to changes in exchange rate		993	345
Decrease in cash and cash equivalents		(439,280)	(352,129)
Cash and cash equivalents at beginning of period		2,958,467	3,437,218
Cash and cash equivalents at end of period		$ 2,519,187	$ 3,085,089

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

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED BUT REVIEWED)

1. HISTORY AND ORGANIZATION

Taiwan Liposome Company (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and was listed on the Taipei Exchange since December 21, 2012. The Company and its subsidiaries (collectively referred herein as the “Group”) are biopharmaceutical companies focused on the research, development and commercialization of innovative pharmaceutical products based on its proprietary drug delivery technologies.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on October 29, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRSs”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 19 (revised), ‘Employee benefits’

Additional disclosures are required for defined benefit plans.

B. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

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

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34, "Interim Financial Reporting" as endorsed by the FSC.

(2) Basis of preparation

A. Except for defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, these consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2015	December 31, 2014	September 30, 2014	Description
Taiwan Liposome Company	TLC Biopharmaceuticals, Inc.	Research on new anti-cancer drugs and biotechnology services	100	100	100	
Taiwan Liposome Company	TLC Biopharmaceuticals, B.V.	Technical authorization and product development	100	100	100	
Taiwan Liposome Company	TLC Biopharmaceuticals, (H.K.) Limited	Biotechnology services and reinvestment	100	100	100	Note 1
Taiwan Liposome Company	TLC Biopharmaceuticals, Pty Ltd.	Technical authorization and product development	100	100	-	Note 2
Taiwan Liposome Company	TLC Biopharmaceuticals, Japan Co., Ltd.	Technical authorization and product development	100	-	-	Note 3
TLC Biopharmaceuticals, (H.K.) Limited	TLC Biopharmaceuticals, (Shanghai) Limited	Consulting and technical service of medication	100	100	100	Note 1

Note 1: The company was newly established in June 2014.

Note 2: The company was newly established in November 2014.

Note 3: The company was newly established in January 2015.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Accounts receivable and other receivables

Accounts receivable are claims resulting from the sale of goods or services. Other receivables are those arising from transactions other than the sale of goods or services. Accounts receivable and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

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

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

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

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or

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

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred on financial assets measured at amortised cost, accounting for impairment is made as follows:

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

(9) <u>Derecognition of financial assets</u>

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual right to receive cash flows of the financial assets have been transferred; however, the Group has not retained control of the financial asset.

(10) <u>Property, plant and equipment</u>

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	44 years
Testing equipment	3 years ~ 10 years
Office equipment	2 years ~ 5 years
Leasehold assets	5 years
Leasehold improvements	1 years ~ 6 years

(11) <u>Leased assets/ lessee</u>

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives.

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

(12) <u>Intangible assets</u>

A. Professional technology is stated at cost and amortised on a straight-line basis over 10 years.

B. Computer software is stated at cost and amortised on a straight-line basis over 1.5 ~ 5 years.

(13) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(14) Borrowings

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

(15) Notes payable

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

(16) Derecognition of financial liabilities

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

(17) Provisions

Provisions (decommissioning) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(18) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).

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

iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(19) <u>Employee share-based payment</u>

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

B. Restricted stocks

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period. The Group has set the date when employees signed the agreement as the grant date of restricted stocks.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks that have not met the vesting conditions to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – restricted stocks'.

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

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

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

G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(21) <u>Share capital</u>

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

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(22) <u>Revenue recognition</u>

A. Royalty revenues are recognised with the contract when the earning process is substantially completed and are realised or realisable.

B. Co-development revenue shall be recognised in a reasonable and systematic approach during the authorized period, and shall not be recognised in full one time, if the authorization contract of the Group does not meet all of the following criteria:

(a) The amount of royalty is fixed or non-refundable.

(b) The contract is irrevocable.

(c) Relevant rights may be at the authorized party's own disposition.

(d) The party granting authority has no further obligations after passing on the rights to the authorized party.

C. Milestone payment revenue is recognised upon each milestone achieved in the development stage.

(23) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Impairment assessment of tangible and intangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes in economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

(2) Realisability of deferred tax assets

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2015	December 31, 2014	September 30, 2014
Cash on hand	$ 67	$ 98	$ 98
Checking and demand deposits	617,137	698,189	742,591
Time deposits	1,901,983	2,260,180	2,342,400
	$ 2,519,187	$ 2,958,467	$ 3,085,089

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

B. Details of the Group's bank deposits pledged to others as collateral are provided in Note 8, and these bank deposits are not accounted for as cash and cash equivalents.

(2) Accounts receivable

	September 30, 2015	December 31, 2014	September 30, 2014
Accounts receivable	$ 24,084	$ 5,818	$ 5,869

A. The Group's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability. As of September 30, 2015, December 31, 2014 and September 30, 2014, the Group's accounts receivable that were neither past due nor impaired amounted to $5,952, $5,818 and $5,869, respectively. The Group has lower significant concentrations of credit risk and has policies in place to ensure that customers have an appropriate credit history when signing the contract.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
Up to 30 days	$ -	$ -	$ -
31 to 90 days	-	-	-
91 to 180 days	-	-	-
Over 181 days	18,132	-	-
	$ 18,132	$ -	$ -

The above ageing analysis was based on invoice date.

(3) Property, plant and equipment

A. The details of property, plant and equipment are as follows:

	Land	Buildings	Testing equipment	Office equipment	Leasehold assets	Leasehold improvements	Construction in progress and equipment to be inspected	Total
At January 1, 2015								
Cost	$ 14,962	$ 29,532	$ 142,028	$ 7,700	$ 50,000	$ 33,011	$ 12,300	$ 289,533
Accumulated depreciation	-	(3,391)	(58,160)	(3,404)	(2,019)	(15,224)	-	(82,198)
	$ 14,962	$ 26,141	$ 83,868	$ 4,296	$ 47,981	$ 17,787	$ 12,300	$ 207,335
2015								
Opening net book amount	$ 14,962	$ 26,141	$ 83,868	$ 4,296	$ 47,981	$ 17,787	$ 12,300	$ 207,335
Additions	-	-	10,765	4,300	-	5,346	18,840	39,251
Disposals (Note 1)	-	-	-	-	-	(38)	-	(38)
Transfer (Note 2)	-	-	2,360	472	-	9,613	(12,300)	145
Reclassifications	-	-	(50,624)	604	50,020	-	-	-
Depreciation charge	-	(492)	(8,617)	(1,647)	(19,401)	(6,771)	-	(36,928)
Net exchange differences	-	-	184	12	-	35	-	231
Closing net book amount	$ 14,962	$ 25,649	$ 37,936	$ 8,037	$ 78,600	$ 25,972	$ 18,840	$ 209,996
At September 30, 2015								
Cost	$ 14,962	$ 29,532	$ 80,828	$ 13,101	$ 100,020	$ 48,017	$ 18,840	$ 305,300
Accumulated depreciation	-	(3,883)	(42,892)	(5,064)	(21,420)	(22,045)	-	(95,304)
	$ 14,962	$ 25,649	$ 37,936	$ 8,037	$ 78,600	$ 25,972	$ 18,840	$ 209,996

	Land	Buildings	Testing equipment	Office equipment	Leasehold improvements	Total
At January 1, 2014						
Cost	$ 14,962	$ 29,532	$ 171,172	$ 9,026	$ 29,195	$ 253,887
Accumulated depreciation	-	(2,734)	(53,494)	(4,340)	(8,834)	(69,402)
	$ 14,962	$ 26,798	$ 117,678	$ 4,686	$ 20,361	$ 184,485
2014						
Opening net book amount	$ 14,962	$ 26,798	$ 117,678	$ 4,686	$ 20,361	$ 184,485
Additions	-	-	16,615	572	1,080	18,267
Transfer (Note 2)	-	-	14,620	-	-	14,620
Depreciation charge	-	(492)	(26,010)	(1,229)	(4,871)	(32,602)
Net exchange differences	-	-	58	4	26	88
Closing net book amount	$ 14,962	$ 26,306	$ 122,961	$ 4,033	$ 16,596	$ 184,858
At September 30, 2014						
Cost	$ 14,962	$ 29,532	$ 197,498	$ 9,512	$ 30,319	$ 281,823
Accumulated depreciation	-	(3,226)	(74,537)	(5,479)	(13,723)	(96,965)
	$ 14,962	$ 26,306	$ 122,961	$ 4,033	$ 16,596	$ 184,858

Note 1: Net value written off for decommissioning liabilities was caused by termination of contracts.

Note 2: Transferred from prepayments for business facilities (recorded as other non-current assets).

B. Information about the investment activities that were partially paid by cash is provided in Note 6(24).

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(4) Intangible assets

A. The details of intangible assets are as follows:

	Professional technology	Computer software	Total
At January 1, 2015			
Cost	$ 49,216	$ 7,352	$ 56,568
Accumulated amortization	(31,044)	(2,902)	(33,946)
	$ 18,172	$ 4,450	$ 22,622
2015			
Opening net book amount	$ 18,172	$ 4,450	$ 22,622
Addition-acquired separately	-	2,735	2,735
Transfer (Note)	-	307	307
Amortization charge	(3,840)	(2,420)	(6,260)
Net exchange differences	47	-	47
Closing net book amount	$ 14,379	$ 5,072	$ 19,451
At September 30, 2015			
Cost	$ 49,263	$ 10,394	$ 59,657
Accumulated amortization	(34,884)	(5,322)	(40,206)
	$ 14,379	$ 5,072	$ 19,451

	Professional technology	Computer software	Total
At January 1, 2014			
Cost	$ 49,113	$ 3,707	$ 52,820
Accumulated amortization	(25,943)	(890)	(26,833)
	$ 23,170	$ 2,817	$ 25,987
2014			
Opening net book amount	$ 23,170	$ 2,817	$ 25,987
Addition-acquired separately	-	1,503	1,503
Transfer (Note)	-	1,510	1,510
Amortization charge	(3,824)	(1,467)	(5,291)
Net exchange differences	38	-	38
Closing net book amount	$ 19,384	$ 4,363	$ 23,747
At September 30, 2014			
Cost	$ 49,150	$ 6,720	$ 55,870
Accumulated amortization	(29,766)	(2,357)	(32,123)
	$ 19,384	$ 4,363	$ 23,747

Note: Transferred from prepayments for business facilities (recorded as other non-current assets).

B. Information about the investment activities that were partially paid by cash is provided in Note 6(24).

C. The details of the amortisation charge of intangible assets (recorded in operating expenses) are as follows:

	Three months ended September 30,			
	2015		2014	
General and administrative expenses	$	815	$	535
Research and development expenses		1,537		1,274
	$	2,352	$	1,809

	Nine months ended September 30,			
	2015		2014	
General and administrative expenses	$	1,768	$	1,193
Research and development expenses		4,492		4,098
	$	6,260	$	5,291

(5) Other non-current assets

	September 30, 2015		December 31, 2014		September 30, 2014	
Refundable deposits	$	28,640	$	17,919	$	5,490
Prepaid expense for medicines research - over one year		20,000		20,000		20,000
Prepayments for business facilities		8,528		6,292		20,105
Other financial assets - non-current		-		552		828
	$	57,168	$	44,763	$	46,423

(6) Short-term borrowings

Type of borrowings	September 30, 2015		December 31, 2014		September 30, 2014	
Bank unsecured borrowings	$	20,000	$	-	$	-
Interest rate	2.20%		-		-	
Credit line	$	36,000	$	-	$	-

(7) Other payables

	September 30, 2015		December 31, 2014		September 30, 2014	
Salaries and bonuses	$	22,887	$	23,423	$	18,654
Research expenses		11,340		19,423		29,465
Payables on machinery and equipment		6,117		13,164		3,900
Research medicine expenses		4,498		11,841		6,592
Service expenses		3,366		5,200		2,021
Accrued expenses		11,635		6,895		8,366
	$	59,843	$	79,946	$	68,998

(8) Long-term borrowings

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2015
Taiwan Cooperative Bank secured borrowings	Note 1	1.95%	Land and buildings	$ 37,750
Taiwan Cooperative Bank secured borrowings	Note 2	1.98%	Land and buildings	34,000
Taiwan Business Bank secured borrowings	Note 3	1.00%	Demand deposits	4,140
				75,890
Less: current portion (recorded as other current liabilities)				(4,140)
				$ 71,750

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2014
Taiwan Business Bank secured borrowings	Note 4	2.25%	Land and buildings	$ 39,167
Taiwan Business Bank secured borrowings	Note 5	3.00%	Demand deposits	3,884
Taiwan Business Bank secured borrowings	Note 3	1.00%	Demand deposits	8,280
				51,331
Less: current portion (recorded as other current liabilities)				(11,639)
				$ 39,692

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2014
Taiwan Business Bank secured borrowings	Note 4	2.25%	Land and buildings	$ 39,718
Taiwan Business Bank secured borrowings	Note 5	3.00%	Demand deposits	5,826
Taiwan Business Bank secured borrowings	Note 3	1.00%	Demand deposits	9,660
				55,204
Less: current portion (recorded as other current liabilities)				(13,568)
				$ 41,636

Note 1: The Company entered into a long-term loan contract with Taiwan Cooperative Bank on September 1, 2015 in the amount of $37,750. The contract period is from September 2015 to September 2035. The interest is payable monthly for the first 3 years and payable

monthly along with the same amount of principal starting from the fourth year.

Note 2: The Company entered into a mid-term loan contract with Taiwan Cooperative Bank on September 4, 2015 in the amount of $34,000. The contract period is from September 2015 to September 2022. The interest is payable monthly for the first 2 years and payable semi-annually along with 5% of the principal starting from September 2017. The remaining 50% of principal will be repaid at maturity.

Note 3: The Company entered into a “Synergistic Dual - Function Anticancer Me - Too New Chemical Entity (ME-TOO NCE) Development Project” and signed the loan contract with the Industrial Development Bureau in 2007 in the amount of $40,000 (the bank: Taiwan Business Bank). The original contract period is from June 2007 to April 2013. In 2009, the Company requested for the extension of the maturity date to April 2016. The loan is payable in quarterly capital installments of $1,380 (first quarter: $2,500; second quarter: $1,620), with a moratorium until July 2009 and maturing in April 2016.

Note 4: The Company entered into a loan contract with Taiwan Business Bank in 2009 in the amount of $43,650 for the purchase of land and building. The contract period is from November 2009 to November 2029. The principal and interest of the loan are payable monthly from the third year after the drawdown date.

Note 5: The Company entered into a “Synergistic Dual - Function Anticancer Lipotecan Development Project” and signed the loan contract with the Industrial Development Bureau in 2009 in the amount of $31,080 (the bank: Taiwan Business Bank). The contract period is from December 2009 to April 2015. The principal of the loan is payable quarterly from July 15, 2011.

As of September 30, 2015, December 31, 2014 and September 30, 2014, the undrawn loan facilities amounted to $1,050, $0 and $0, respectively. The information about the Group’s liquidity risk is provided in Note 12 (2) C (c).

(9) <u>Finance lease liabilities</u>

The Group leases testing equipment assets under finance lease. Based on the terms of the lease contracts, ownership of all leased equipment will transfer to the Group at no consideration when the leases expire. Future minimum lease payments and their present values as at September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
Not later than one year (Note)	$ 44,688	($ 688)	$ 44,000
Non-current			
Later than one year but not later than two years (Note)	20,071	(71)	20,000
	$ 64,759	($ 759)	$ 64,000

	December 31, 2014		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
Not later than one year (Note)	$ 24,629	($ 624)	$ 24,005
Non-current			
Later than one year but not later than two years (Note)	24,214	(214)	24,000
	$ 48,843	($ 838)	$ 48,005

(Note) Recorded as other current liabilities and other non-current liabilities, respectively.

(10) Pensions

A. Defined benefit plans

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b) For the aforementioned pension plan, the Group recognised pension costs of $64, $60, $195 and $179 for the three months and nine months ended September 30, 2015 and 2014, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 are $259.

B. Defined contribution plans

Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the three months and nine months ended September 30, 2015 and 2014 were $1,850, $1,526, $5,390 and $4,333, respectively.

C. The subsidiaries have defined contribution plans in accordance with the local regulations, and contributions are based on a certain percentage of employees' salaries and wages. Other than the yearly contributions, the subsidiaries have no further obligations. The pension costs of the subsidiaries for the three months and nine months ended September 30, 2015 and 2014 were $210, $125, $637 and $401, respectively.

(11) Share-based payment

A. For the nine months ended September 30, 2015 and 2014, the Company's equity-settled share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	2009.10.29	788.0	5 years	1 year service vested immediately (Note 1)
〃	2010.01.21	200.0	5 years	1 year service vested immediately (Note 1)
〃	2010.07.22	108.0	5 years	1 year service vested immediately (Note 1)
〃	2011.07.14	1,200.0	5 years	2 years service vested immediately (Note 2)
〃	2011.12.23	168.0	5 years	2 years service vested immediately (Note 2)
〃	2012.05.08	132.0	5 years	2 years service vested immediately (Note 2)
〃	2013.11.14	1,365.0	5 years	2 years service vested immediately (Note 2)

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	2014.03.20	250.0	5 years	2 years service vested immediately (Note 2)
〃	2014.08.15	145.0	5 years	2 years service vested immediately (Note 2)
〃	2015.02.26	1,463.0	5 years	2 years service vested immediately (Note 2)
〃	2015.04.30	16.0	5 years	2 years service vested immediately (Note 2)
〃	2015.05.04	35.0	5 years	2 years service vested immediately (Note 2)
”	2015.07.30	70.0	5 years	2 years service vested immediately (Note 2)
Restricted stocks to employees (Note 3)	2014.08.15	307.0	3 years	Achievement of performance condition (Note 4)
〃	2014.11.14	43.0	3 years	Achievement of performance condition (Note 4)

(Note 1) Employees with 1 year service are entitled to 25%; after one year expiration, the ratio will increase by 1/48 every month for the following 36 months; and employees with 4 years service are entitled to 100%.

(Note 2) Employees with 2 service years are entitled to 50%; after one year expiration, the ratio will increase by 1/48 every month for the following 24 months; and employees with 4 years service are entitled to 100%.

(Note 3) The restricted stocks issued by the Company cannot be transferred within the vesting period, but voting rights and dividend rights are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period.

(Note 4) For the employees who are currently working in the Company and whose services have reached 1 year, 2 years and 3 years while their performance has reached the target performance and they have made certain contribution, the applicable accumulated maximum vested share ratio is 30%, 60% and 100%, respectively.

B. Details of the share-based payment arrangements are as follows:

(a) Employee stock options

	Nine months ended September 30,			
	2015		2014	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	2,049.3	$ 264	2,299.2	$ 242
Options granted	1,584.0	241.5	395.0	248
Options exercised	(212.3)	40	(374.1)	43
Options revoked	(325.9)	301	(172.4)	288
Options outstanding at end of the period	3,095.1	-	2,147.7	261
Options exercisable at end of the period	236.5	35~117.3	256.5	28~117.3
Options permitted but not yet outstanding at end of period	216		-	

(b) Restricted stocks to employees

	Nine months ended September 30,	
	2015	2014
	Shares (in thousands)	Shares (in thousands)
At January 1	350	-
Issued for the period	-	307
Expired for the period (Note)	(46)	-
Restrictions removed for the period	(83)	-
At September 30	221	307

(Note) Employees who resigned during the vesting period returned 17 thousand shares of stock in August and September 2015. Details of the changes in the stocks that have not been registered as of October 29, 2015 are provided in Note 11(1).

C. The weighted-average stock price of stock options at exercise dates for the three months and nine months ended September 30, 2015 and 2014 were $143.94 (in dollars), $244.48 (in dollars), $196.25 (in dollars) and $279.61 (in dollars), respectively.

D. The expiry date and exercise price of stock options outstanding at the balance sheet date are as follows:

		September 30, 2015			
		Options outstanding at end of period		Options exercisable at end of period	
Exercise price (in dollars)	Quantity (in thousands)	Expected remaining life (years)	Exercise price (in dollars)	Quantity (in thousands)	Exercise price (in dollars)
$ 35	163.7	0.79	$ 35	163.8	$ 35
69.9	24.6	1.23	69.9	16.7	69.9
117.3	70.8	1.61	117.3	56.0	117.3
379	1,070.0	3.13	379	-	-
272	183.0	3.47	272	-	-
206	135.0	3.87	206	-	-
246.5	1,327.0	4.41	246.5	-	-
225	16.0	4.59	225	-	-
225	35.0	4.60	225	-	-
148	70.0	4.84	148	-	-
	3,095.1			236.5	

		December 31, 2014			
		Options outstanding at end of period		Options exercisable at end of period	
Exercise price (in dollars)	Quantity (in thousands)	Expected remaining life (years)	Exercise price (in dollars)	Quantity (in thousands)	Exercise price (in dollars)
$ 28	7.3	0.20	$ 28	7.3	$ 28
35	346.2	1.54	35	212.9	35
69.9	50.5	1.98	69.9	16.0	69.9
117.3	73.3	2.36	117.3	41.9	117.3
379	1,209.0	3.87	379	-	-
272	218.0	4.22	272	-	-
206	145.0	4.62	206	-	-
	2,049.3			278.1	

		September 30, 2014			
		Options outstanding at end of period		Options exercisable at end of period	
Exercise price (in dollars)	Quantity (in thousands)	Expected remaining life (years)	Exercise price (in dollars)	Quantity (in thousands)	Exercise price (in dollars)
$ 28	12.1	0.23	$ 28	12.1	$ 28
35	383.0	1.79	35	191.3	35
69.9	56.6	2.23	69.9	13.6	69.9
117.3	82.0	2.61	117.3	39.5	117.3
379	1,241.0	4.13	379	-	-
272	228.0	4.47	272	-	-
206	145.0	4.88	206	-	-
	2,147.7			256.5	

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Employee stock options

Grant date	July 30, 2015	May 4, 2015	April 30, 2015
Dividend yield rate	-	-	-
Exercise price volatility	48.59%	49.17%	49.10%
Risk-free interest rate	0.86%~0.97%	0.91%~1.05%	0.91%~1.03%
Expected vesting period (years)	3.5~4.5	3.5~4.5	3.5~4.5
Per share exercise price (in dollars)	$ 148	$ 225	$ 225
Weighted stock options average fair value (in dollars)	54~60	82~93	82~93

Grant date	February 26, 2015	August 15, 2014	March 20, 2014
Dividend yield rate	-	-	-
Exercise price volatility	46.68%	46.22%	46.06%
Risk-free interest rate	0.92%~1.04%	0.99%~1.15%	0.92%~1.10%
Expected vesting period (years)	3.5~4.5	3.5~4.5	3.5~4.5
Per share exercise price (in dollars)	$ 246.5	$ 206	$ 272
Weighted stock options average fair value (in dollars)	86~97	71~81	94~106

Grant date	November 14, 2013	May 8, 2012	November 23, 2011
Dividend yield rate	-	-	-
Exercise price volatility	48.51%	42.44%	43.92%
Risk-free interest rate	1.00%~1.18%	1.00%	1.00%
Expected vesting period (years)	3.5~4.5	3.875	3.875
Per share exercise price (in dollars)	$ 379	$ 117.3	$ 69.9
Weighted stock options average fair value (in dollars)	137~155	5.18~7.29	1.36~2.14

Grant date	July 14, 2011	July 22, 2010	January 21, 2010
Dividend yield rate	-	-	-
Exercise price volatility	44.70%	41.66%	42.23%
Risk-free interest rate	1.14%	0.64%	0.65%
Expected vesting period (years)	3.875	3.75	3.75
Per share exercise price (in dollars)	$ 35	$ 28	$ 28
Weighted stock options average fair value (in dollars)	2.05~2.80	1.76~2.81	2.52~3.75

Grant date	October 29, 2009
Dividend yield rate	-
Exercise price volatility	48.10%
Risk-free interest rate	0.76%
Expected vesting period (years)	3.75
Per share exercise price (in dollars)	$ 28
Weighted stock options average fair value (in dollars)	3.16~3.88

Restricted stocks to employees

Grant date	November 14, 2014	August 15, 2014
Dividend yield rate	-	-
Exercise price volatility	44.51%~46.32%	44.28%~46.10%
Risk-free interest rate	0.56%~0.92%	0.56%~0.90%
Expected vesting period (years)	1~3	1~3
Stock price (in dollars)	$ 191	$ 206
Per share exercise price (in dollars)	10	10
Weighted restricted stocks average fair value (in dollars)	128.47~151.99	139.28~164.58

F. Expenses incurred on share-based payment transactions are shown below:

	Three months ended September 30,	
	2015	2014
Equity-settled	$ 34,498	$ 24,721

	Nine months ended September 30,	
	2015	2014
Equity-settled	$ 110,744	$ 64,375

(12) Provisions (Decommissioning liabilities)

	2015	2014
At January 1, 2015	$ 3,627	$ 3,087
Additional provisions	-	490
Used during the period	(50)	-
At September 30, 2015	$ 3,577	$ 3,577

Analysis of total provisions:

	September 30, 2015	December 31, 2014	September 30, 2014
Non-current	$ 3,577	$ 3,627	$ 3,577

In accordance with the requirements specified in the agreement, the Group bears the obligation for the costs of dismantling, removing the asset and restoring the site of its rented office in the future. A provision is recognised for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will be used in 3 years.

(13) Share capital

A. As of September 30, 2015, the Company's authorized capital was $600,000, and the paid-in capital was $555,866 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	Nine months ended September 30,	
	2015	2014
At January 1	55,403	54,629
Employee stock options exercised	213	374
Employe restricted stocks	-	307
Cancellation of restricted stocks	(29)	-
At September 30	55,587	55,310

B. To increase the Company's working capital, the stockholders at their extraordinary stockholders' meeting on March 10, 2011 adopted a resolution to raise additional cash through private placement with the effective date set on March 25, 2011. The maximum number of shares to be issued through the private placement is 4,711 thousand shares at an estimated subscription price of $42.45 (in dollars) per share. The amount of capital raised through the private placement was $200,000 which had been registered. Pursuant to the Securities and Exchange Law, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

C. Employee restricted stocks

(a) The Board of Directors during its meeting on June 18, 2014 adopted a resolution to issue employee restricted ordinary shares (see Note 6(11)) with the effective date set on August 21, 2014 and November 20, 2014, respectively. The subscription price is $10 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain restrictions on selling, pledging as collateral, transfer, donation or other methods to dispose before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

(b) As employee restricted stocks of 4,000 shares distributed to certain employees in December 2014 did not meet the vesting conditions in accordance with the terms of restricted shares, the Board of Directors has resolved on February 26, 2015 to buy back the restricted shares to retire for capital reduction. The registration was completed on March 20, 2015.

(c) As employee restricted shares of 25,000 shares distributed to certain employees in April and July 2014 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Directors has resolved on July 30, 2015 to buy back the restricted shares to retire for capital reduction. The registration was completed on August 14, 2015.

(d) As employee restricted stocks of 17,000 shares distributed to certain employees in August and September 2015 did not meet the vesting conditions in accordance with the terms of restricted shares, the Board of Directors has resolved on October 29, 2015 to buy back the restricted shares to retire for capital reduction. Details are provided in Note 11(1).

D. Treasury stock

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the stocks	Reason for reacquisition	September 30, 2015	
		Number of shares	Carrying amount
The Company	To be reissued to employees	127	$ 16,061

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.

(14) Capital surplus

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

(15) Accumulated deficit

A. Under the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:

(a) Payment of taxes and duties.

(b) Cover prior years' accumulated deficit, if any.

(c) After deducting items a and b, set aside 10% of the remaining amount as legal reserve.

(d) Appropriate or reverse special reserve in accordance with the relevant laws and regulations, if necessary;

(e) After deducting items a to d, the remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 10% of the total dividends distributed.

C. Under the R.O.C. Company Law, when the accumulated deficit exceeds 50% of the capital, the directors should convene a meeting of the stockholders and report the situation.

D. The stockholders during their meeting on June 23, 2015 and June 18, 2014 adopted a resolution to use capital reserve amounting to $638,726 and $405,977 to cover accumulated deficit, respectively.

Information on the above as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. As of September 30, 2015, the Company had an accumulated deficit. Therefore, the earnings distribution information disclosure is not applicable.

F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(21).

(16) Operating revenue

	Three months ended September 30,	
	2015	2014
Co-development revenue	$ 1,452	$ 1,452
Royalty payment revenue	8,540	8,521
	$ 9,992	$ 9,973

	Nine months ended September 30,	
	2015	2014
Co-development revenue	$ 22,489	$ 60,304
Royalty payment revenue	25,873	24,883
	$ 48,362	$ 85,187

A. Co-development revenue is the revenue arising from authorized co-development generic drugs. The details are as follows:

(a) The Company signed new injections/new medicine cooperative development agreement with SciClone Pharmaceuticals International China Holding Ltd. ("SciClone"). Under the agreement, the Company authorized SciClone to sell related products in China, Hong Kong and Macau. The Company recognizes up-front payment revenue during the development stage and also recognizes milestone payment revenue upon each milestone achieved. Once the new drug is launched in the market, the Company will receive a royalty fee based on a fixed amount depending on the amount of net sales revenue achieved, but not to exceed the maximum amount set in the agreement.

(b) The Company authorized SamChunDang Pharm Co., Ltd. ("SamChumDang") to sell special generic products in Korea. The Company recognizes up-front payment revenue in installments during the development stage and also recognizes milestone payment revenue upon each milestone achieved. Once the new drug is launched in the market, a royalty fee will be received by the Company, which is equal to a certain amount depending on the sales volume subject to a certain ceiling.

(c) The Company and Sandoz AG. ("Sandoz") signed an agreement to sell special generic products in Europe and USA. The Company recognizes up-front payment revenue in installments during the development stage and also recognizes milestone payment revenue upon each milestone achieved. Once the new drug is launched in the market, a royalty fee will be received by the Company. The Company also recognizes performance-based milestone payment revenue upon entering the local market in Europe and USA, and if net sales reached a certain sales volume for the first time within five years.

B. The details of royalty payment revenue are as follows:

(a) The Company granted TTY Biopharm Company Limited (TTY) the exclusive right to produce and promote LIPO-DOX, a medicinal product developed by the Company. Under the contract, royalty payments are based on 12% of the sales from the products sold.

(b) The Company authorizes YSP the exclusive right in Taiwan to produce and promote generic drugs. Under the contract, the Company will receive a royalty fee based on a certain percentage of the net sales revenue.

(17) Other income

	Three months ended September 30,	
	2015	2014
Interest income	$ 4,726	$ 5,726
Government subsidy income (Note)	4,111	-
Others	1,357	185
	$ 10,194	$ 5,911

	Nine months ended September 30,	
	2015	2014
Interest income	$ 15,344	$ 18,229
Government subsidy income (Note)	15,749	-
Others	1,868	1,157
	$ 32,961	$ 19,386

Note:The Company has entered into a contract of "Phase I/II trial plan of TLC399 (ProDex®) in Patients with Macular Edema Due to Retinal Vein Occlusion (RVO)" and "Phase II trial plan of TLC388 (Lipotecan)" with the Institute for Information Industry in 2014. The Company recognised government subsidy income in accordance with the progress of execution of ProDex® trial plan and Lipotecan trial plan. As of September 30, 2015, the uncollected government subsidy income amounted to $15,749 (recorded as other receivables).

(18) Other gains and losses

	Three months ended September 30,	
	2015	2014
Net currency exchange loss	$ 688	$ 1,691

	Nine months ended September 30,	
	2015	2014
Net currency exchange gain	$ 694	$ 1,912

(19) Finance costs

	Three months ended September 30,	
	2015	2014
Bank borrowings	$ 380	$ 296
Lease liabilities	305	-
	$ 685	$ 296

	Nine months ended September 30,	
	2015	2014
Bank borrowings	$ 865	$ 958
Lease liabilities	999	-
	$ 1,864	$ 958

(20) Expenses by nature (Recorded in operating expenses)

	Three months ended September 30,	
	2015	2014
Employee benefit expense	$ 89,230	$ 70,491
Depreciation charges	$ 11,749	$ 11,161
Amortization charges	$ 2,352	$ 1,809

	Nine months ended September 30,	
	2015	2014
Employee benefit expense	$ 275,287	$ 195,639
Depreciation charges	$ 36,928	$ 32,602
Amortization charges	$ 6,260	$ 5,291

(21) Employee benefit expense

	Three months ended September 30, 2015		Three months ended September 30, 2014	
Wages and salaries	$	47,688	$	39,108
Share-based payment compensation cost		34,498		24,721
Labor and health insurance fees		3,183		3,065
Pension costs		2,124		1,711
Other personnel expenses		1,737		1,886
	$	89,230	$	70,491

	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
Wages and salaries	$	143,654	$	112,231
Share-based payment compensation cost		110,744		64,375
Labor and health insurance fees		9,179		8,361
Pension costs		6,222		4,913
Other personnel expenses		5,488		5,759
	$	275,287	$	195,639

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration to the directors and supervisors that account for 2~8% and 2%, respectively, of the total distributed amount.

However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.

B. As of September 30, 2015, the Company had an accumulated deficit and did not accrue employees' and directors' and supervisors' remuneration.

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30,	
	2015	2014
Current tax:		
Current tax on profits for the period	$ 134	$ 105
Total current tax	134	105
Deferred tax:		
Origination and reversal of temporary differences	(3)	-
Total deferred tax	(3)	-
Income tax expense	$ 131	$ 105

	Nine months ended September 30,	
	2015	2014
Current tax:		
Current tax on profits for the period	$ 522	$ 251
Total current tax	522	251
Deferred tax:		
Origination and reversal of temporary differences	(78)	-
Total deferred tax	(78)	-
Income tax expense	$ 444	$ 251

B. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

C. As of September 30, 2015, December 31, 2014 and September 30, 2014, the balance of the imputation tax credit account was $0, and there was no distributable earnings. The creditable tax rate was not applicable.

(23) Loss per share

	Three months ended September 30, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share (Note)			
Loss attributable to ordinary shareholders of the parent	($ 185,936)	55,184	($ 3.37)

	Three months ended September 30, 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share (Note)			
Loss attributable to ordinary shareholders of the parent	($ 164,187)	54,756	($ 3.00)

	Nine months ended September 30, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share (Note)			
Loss attributable to ordinary shareholders of the parent	($ 528,524)	55,123	($ 9.59)

	Nine months ended September 30, 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share (Note)			
Loss attributable to ordinary shareholders of the parent	($ 425,415)	54,755	($ 7.77)

Note: Employee stock options and employee restricted stocks have no dilutive effect.

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine months ended September 30,	
	2015	2014
Purchase of property, plant and equipment	$ 39,251	$ 18,267
Add: Opening balance of payable on equipment	15,844	13,333
Less: Ending balance of payable on equipment	(4,238)	(7,194)
Cash paid	$ 50,857	$ 24,406

	Nine months ended September 30,	
	2015	2014
Purchase of intangible assets	$ 2,735	$ 1,503
Less: Ending balance of payable on equipment	(198)	(283)
Cash paid	$ 2,537	$ 1,220

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

There is no ultimate parent and ultimate controlling party since the Company is publicly held.

(2) Significant transactions and balances with related parties

The Company's Chairman provided guarantees for the Company’s short-term borrowings and long-term loans with the Industrial Development Bureau. As of September 30, 2015, December 31, 2014 and September 30, 2014, details of loans are described in Notes 6(6) and (8).

(3) Key management compensation

	Three months ended September 30,	
	2015	2014
Salaries and other short-term employee benefits	$ 6,370	$ 4,575
Share-based payments	3,769	1,449
Post-employment benefits	81	27
	$ 10,220	$ 6,051

	Nine months ended September 30,	
	2015	2014
Salaries and other short-term employee benefits	$ 18,868	$ 13,537
Share-based payments	15,290	3,216
Post-employment benefits	243	81
	$ 34,401	$ 16,834

8. PLEDGED ASSETS

Assets Pledged	September 30, 2015	December 31, 2014	September 30, 2014	Pledge purpose
Shown as other current assets				
Demand deposits	$ 828	$ 1,881	$ 2,269	Note 1
Shown as other non-current assets				
Demand deposits	$ -	$ 552	$ 828	Note 1
Shown as property, plant and equipment				
Land	$ 14,962	$ 14,962	$ 14,962	Note 2
Buildings	25,649	26,141	26,306	Note 2
	$ 40,611	$ 41,103	$ 41,268	

Note 1: The Company provided collateral for loans and government subsidies.

Note 2: The Company provided collateral for loans.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

Under a certain special generic products agreement, the Company is required to have a certain market supply capacity before the launch of the products in the market. Otherwise, the Company is obligated to pay a certain amount as compensation.

(2) Commitments

A. Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
Property, plant and equipment	$ 14,758	$ 21,349	$ 39,224

B. Operating lease commitments

The Group leases offices with lease terms between 1 and 6 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments are as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
Not later than one year	$ 22,678	$ 19,999	$ 14,340
Later than one year but not later than five years	46,573	53,409	15,426
Over five years	-	3,416	-
	$ 69,251	$ 76,824	$ 29,766

C. The Company had outstanding commitments on purchase contracts for the research of medicines as follows:

September 30, 2015	December 31, 2014	September 30, 2014
$ 109,794	$ 79,287	$ 79,578

D. The Company had outstanding commitments on research and development as follows:

September 30, 2015	December 31, 2014	September 30, 2014
$ 300,308	$ 342,353	$ 340,129

E. The Company has signed a licensing technology transition contract with TWI and charges royalties of USD 5,000,000 maximum according to its R&D achievement rate. Once the new drug is launched in the market, the Company will pay a royalty fee based on a certain percentage of the net sales revenue.

F. The Company's subsidiary entered into a synthesis technology of novel camptothecin derivative transfer agreement with California Pacific Medical Center (CPMC). Under the agreement, CPMC charges the Company's subsidiary a patent usage fee of USD 10,000 per annum and charges royalties of USD 300,000 maximum according to its R&D achievement rate plus royalties equal to a certain percentage of relevant sales volume in the future. As of September 30, 2015, the Company had paid USD 100,000 in royalty.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) On October 29, 2015, the Board of Directors has resolved for the Company to purchase the restricted stocks to employees who have resigned during the vesting period and to register for the cancellation of 17,000 shares. The record date for capital reduction was set as November 3, 2015.

(2) The Company and Main Life Corporation Ltd. signed an agreement to sell Ambil generic products in Hong Kong and Macau on October 12, 2015. After receiving the local certificate of pharmaceutical product, the Company will provide drugs at the price in accordance with mutual agreement.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to improve the Group's capital structure, the Group may issue new shares or sell assets to reduce debt rate. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital.

As of September 30, 2015, December 31, 2014 and September 30, 2014, the Group's debt ratios are as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
Total debt	$ 236,433	$ 201,922	$ 143,269
Total capital	$ 555,866	$ 554,033	$ 553,099
Debt ratio	42.53%	36.45%	25.90%

(2) Financial instruments

A. Fair value information of financial instruments

(a) The book value of financial instruments measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivables, short-term loans, notes payable and other payables) are approximate to their fair values.

(b) Other financial assets (shown as other current assets and other non-current assets) are pledged demand deposits. Their book value is the reasonable basis for fair value estimation under the assumption that the amounts of those financial instruments are expected to be received by the Company at the balance sheet date.

(c) The fair value of long-term loans is based on the present value of their expected cash flows. The effect of discounting is minor, thus, the book value is a reasonable basis for fair value estimation.

B. Financial risk management policies

(a) The Group's activities expose the Group to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

(c) To meet its risk management objectives, the Group's procedure of hedge focus on market risk and cash flow interest rate risk.

C. Significant financial risks and degree of financial risks

(a) Market risk

i. Foreign exchange risk

(i) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiaries' functional currency: USD, EUR, HKD, RMB, AUD and JPY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2015		
(Foreign currency: functional currency)	Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (NTD) (In thousands)
Financial assets			
Monetary items			
USD: NTD	$ 1,271	32.870	$ 41,778
RMB: NTD	620	5.176	3,209
Non-monetary items			
USD: NTD	1,335	32.870	43,895
EUR: NTD	27	36.920	981
HKD: NTD	800	4.241	3,394
AUD: NTD	11	23.025	257
JPY: NTD	10,395	0.274	2,848
RMB: HKD (Note)	531	1.220	2,750
Financial liabilities			
Monetary items			
USD: NTD	580	32.870	19,065
EUR: NTD	161	36.920	5,944
RMB: NTD	133	5.176	688
AUD: NTD	30	4.241	127
GBP: NTD	1,395	0.274	382
JPY: NTD	5	49.830	249

(Foreign currency: functional currency)	December 31, 2014 Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (NTD) (In thousands)
~~Financial assets~~			
~~Monetary items~~			
USD : NTD	$ 2,439	31.650	$ 77,203
GBP : NTD	120	49.270	5,936
RMB : NTD	609	5.092	3,101
~~Non-monetary items~~			
USD : NTD	1,368	31.650	43,305
EUR : NTD	22	38.470	857
HKD : NTD	786	4.080	3,206
RMB : HKD (Note)	511	1.248	2,602
~~Financial liabilities~~			
~~Monetary items~~			
USD : NTD	463	31.650	14,654
EUR : NTD	182	38.470	7,002
GBP : NTD	36	49.270	1,774
RMB : NTD	180	5.092	917
AUD : NTD	221	25.910	5,726

(Foreign currency: functional currency)	September 30, 2014 Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (NTD) (In thousands)
~~Financial assets~~			
~~Monetary items~~			
USD: NTD	$ 2,957	30.420	$ 89,952
EUR: NTD	37	38.590	1,428
GBP: NTD	124	49.500	6,138
RMB: NTD	605	4.934	2,985
~~Non-monetary items~~			
USD: NTD	1,396	30.420	42,451
EUR: NTD	21	38.590	796
HKD : NTD	710	3.918	2,780
RMB : HKD (Note)	446	1.259	2,201
~~Financial liabilities~~			
~~Monetary items~~			
USD: NTD	431	30.420	13,111
EUR: NTD	153	38.590	5,904
AUD : NTD	17	26.605	452
RMB : NTD	146	4.934	720

(Note) The functional currencies of certain subsidiaries of the Group are not NTD, thus, this information has to be considered when reporting.

(ii) Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Nine months ended September 30, 2015 — Sensitivity Analysis: Extent of Variation	Effect on Profit or Loss	Effect on Other Comprehensive Income
Financial assets			
Monetary items			
USD : NTD	1%	$ 418	$ -
RMB : NTD	1%	32	-
Financial liabilities			
Monetary items			
USD : NTD	1%	191	-
EUR : NTD	1%	59	-
RMB : NTD	1%	7	-
HKD : NTD	1%	1	-
JPY : NTD	1%	4	-
GBP : NTD	1%	2	-

(Foreign currency: functional currency)	Nine months ended September 30, 2014 — Sensitivity Analysis: Extent of Variation	Effect on Profit or Loss	Effect on Other Comprehensive Income
Financial assets			
Monetary items			
USD : NTD	1%	$ 900	$ -
EUR : NTD	1%	14	-
GBP : NTD	1%	61	-
RMB : NTD	1%	30	-
Financial liabilities			
Monetary items			
USD : NTD	1%	131	-
EUR : NTD	1%	59	-
AUD : NTD	1%	5	-
RMB : NTD	1%	7	-

(iii) The unrealised exchange gain arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2015 and 2014 amounted $3,010, $1,697, $2,014 and $3,205, respectively.

ii. Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the nine months ended September 30, 2015 and 2014, the Group's loans at variable rate were denominated in NTD.

At September 30, 2015 and 2014, if interest rates had been 0.2% higher/lower with all other conditions held constant, net loss for nine months ended September 30, 2015 and 2014 would have been $138 and $68 higher/lower, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before signing the license agreement. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to corporate pharmaceutical factories, including outstanding receivables. For banks and financial institutions, only rated parties with a good rating are accepted.

ii. The Group's deposits with banks and credit quality of accounts receivable are provided in Notes 6.(1) and 6.(2), respectively.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	September 30, 2015				
	1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$20,330	$ -	$ -	$ -	$ -
Notes payable	-	-	-	-	-
Other payables	59,843	-	-	-	-
Finance lease liabilities (including current portion)	44,688	20,071	-	-	-
Long-term borrowings (including current portion)	5,591	3,109	4,922	13,287	62,915

	December 31, 2014				
	1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Notes payable	$ 251	$ -	$ -	$ -	$ -
Other payables	79,946	-	-	-	-
Finance lease liabilities (including current portion)	24,629	24,214	-	-	-
Long-term borrowings (including current portion)	12,669	5,881	3,093	6,186	30,676

	September 30, 2014				
	1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Notes payable	$ 1,074	$ -	$ -	$ -	$ -
Other payables	68,998	-	-	-	-
Long-term borrowings (including current portion)	14,669	7,275	3,093	6,187	31,450

(3) Fair value estimation

The Group had no financial instruments measured at fair value by valuation method as of September 30, 2015, December 31, 2014 and September 30, 2014.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Aggregate purchases or sales of the same securities reaching NT$300 million or 20% of paid-in capital or more: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Derivative financial instruments undertaken during the nine months ended September 30, 2015: None

J. Significant inter-company transactions during the nine months ended September 30, 2015: Please refer to table 1.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 3.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

14. SEGMENT INFORMATION

(1) General information

The Group's major business is research and development for new medicine and operates business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The Group has only one reportable operating segment, therefore, the reportable segment information is the same as the financial report.

(3) Reconciliation for segment income (loss)

The segment income (loss) reported to the chief operating decision-maker is measured in a manner consistent with that in the income statement. There is no reconciliation because the report provided to the chief operating decision-maker for business decisions has no difference to segment income statement.