

TAIWAN LIPOSOME COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

JUNE 30, 2013 AND 2012

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 June 30, 2013 and 2012, December 31, 2012, and January 1, 2012, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012, and statements of changes in equity and of cash flows for the six-month periods ended June 30, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Except as explained in the following paragraph, our reviews were made in accordance with the Generally Accepted Auditing Standards No. 36, "Review of 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.

As described in Note 4(3), we did not review the financial statements of consolidated subsidiaries which statements reflect total assets of \$11,638,000, constituting 2.5% of the consolidated total assets, and total liabilities of \$588,000, constituting 0.4% of the consolidated total liabilities as of June 30, 2012, and total comprehensive loss of \$7,563,000 and \$15,403,000, constituting 22.0% and 37.9% of the consolidated comprehensive loss for the three-month and six-month periods ended June 30, 2012, respectively. These amounts and the related information disclosed in Note 13 were based on the unreviewed financial statements of the consolidated subsidiaries.

Based on our reviews, except for the effect of such adjustment, if any, as might have been determined to be necessary had the financial statements of consolidated subsidiaries and the information disclosed in Note 13 been reviewed as explained in the preceding paragraph, 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”, IAS 34, “Interim Financial Reporting”, and IFRS 1, “First-time Adoption of International Financial Reporting Standards” as endorsed by the Financial Supervisory Commission (FSC).

PricewaterhouseCoopers, Taipei, Taiwan
August 8, 2013

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
JUNE 30, 2013 AND 2012, DECEMBER 31, 2012, AND JANUARY 1, 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	Assets	Notes	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current Assets										
1100	Cash and cash equivalents	6(1)	\$ 722,336	73	\$ 908,101	81	\$ 283,518	62	\$ 309,029	61
1150	Notes receivable, net		5,000	1	-	-	-	-	-	-
1170	Accounts receivable, net	6(2)	50,815	5	35,065	3	14,340	3	5,251	1
1200	Other receivables		1,021	-	666	-	3,300	1	8,905	2
1220	Current income tax assets		274	-	121	-	101	-	76	-
1410	Prepayments		5,878	1	4,842	1	5,552	1	36,089	7
1470	Other current assets	8	2,658	-	2,658	-	2,658	-	4,326	1
11XX	Total Current Assets		<u>787,982</u>	<u>80</u>	<u>951,453</u>	<u>85</u>	<u>309,469</u>	<u>67</u>	<u>363,676</u>	<u>72</u>
Non-current assets										
1600	Property, plant and equipment	6(3) and 8	111,176	11	117,107	10	97,948	21	90,277	18
1780	Intangible assets	6(4)	26,837	3	29,397	3	31,648	7	31,336	6
1900	Other non-current assets	6(5) and 8	62,939	6	24,866	2	21,252	5	19,479	4
15XX	Total Non-current Assets		<u>200,952</u>	<u>20</u>	<u>171,370</u>	<u>15</u>	<u>150,848</u>	<u>33</u>	<u>141,092</u>	<u>28</u>
1XXX	Total Assets		<u>\$ 988,934</u>	<u>100</u>	<u>\$ 1,122,823</u>	<u>100</u>	<u>\$ 460,317</u>	<u>100</u>	<u>\$ 504,768</u>	<u>100</u>
Liabilities and Equity										
Current Liabilities										
2150	Notes payable		\$ -	-	\$ 12,952	1	\$ 9,239	2	\$ 2,462	-
2200	Other payables	6(6)	31,988	4	114,126	10	29,761	6	32,937	7
2250	Provisions for liabilities - current	6(10)	-	-	1,050	-	2,341	1	-	-
2300	Other current liabilities	6(7)	31,842	3	23,152	2	23,325	5	25,421	5
21XX	Total Current Liabilities		<u>63,830</u>	<u>7</u>	<u>151,280</u>	<u>13</u>	<u>64,666</u>	<u>14</u>	<u>60,820</u>	<u>12</u>
Non-current liabilities										
2540	Long-term borrowings	6(7)	60,086	6	69,874	6	79,615	17	89,305	18
2550	Provisions for liabilities - non-current	6(10)	3,087	-	3,087	1	1,512	-	3,853	1
2600	Other non-current liabilities	6(8)	7,317	1	2,207	-	1,871	1	2,593	-
25XX	Total Non-current Liabilities		<u>70,490</u>	<u>7</u>	<u>75,168</u>	<u>7</u>	<u>82,998</u>	<u>18</u>	<u>95,751</u>	<u>19</u>
2XXX	Total Liabilities		<u>134,320</u>	<u>14</u>	<u>226,448</u>	<u>20</u>	<u>147,664</u>	<u>32</u>	<u>156,571</u>	<u>31</u>

(Continued)

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
JUNE 30, 2013 AND 2012, DECEMBER 31, 2012, AND JANUARY 1, 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

Liabilities and Equity	Notes	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Equity										
Equity Attributable to Owners of Parent										
Share capital 6(11)										
3110	Common stock	\$ 440,696	45	\$ 439,930	39	\$ 392,920	85	\$ 391,006	77	
3140	Advance receipts for share capital	-	-	2,146	-	-	-	-	-	
Capital surplus 6(12)										
3200	Capital surplus	462,454	46	690,233	62	6,970	2	425,202	85	
Retained earnings										
3350	Accumulated deficit	(48,424)	(5)	(235,165)	(21)	(87,000)	(19)	(468,011)	(93)	
Other equity										
3400	Other equity	(112)	-	(769)	-	(237)	-	-	-	
31XX	Equity attributable to owners of parent	<u>854,614</u>	<u>86</u>	<u>896,375</u>	<u>80</u>	<u>312,653</u>	<u>68</u>	<u>348,197</u>	<u>69</u>	
3XXX	Total equity	<u>854,614</u>	<u>86</u>	<u>896,375</u>	<u>80</u>	<u>312,653</u>	<u>68</u>	<u>348,197</u>	<u>69</u>	
Significant contingent liabilities and unrecognised contract commitments 9										
Subsequent events 11										
Total liabilities and equity		<u>\$ 988,934</u>	<u>100</u>	<u>\$ 1,122,823</u>	<u>100</u>	<u>\$ 460,317</u>	<u>100</u>	<u>\$ 504,768</u>	<u>100</u>	

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accounts dated August 8, 2013.

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT LOSS PER SHARE DATA)
(UNAUDITED BUT REVIEWED)

Items	Notes	Three months ended June 30				Six months ended June 30				
		2013		2012		2013		2012		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(15)	\$ 48,844	100	\$ 53,893	100	\$ 126,052	100	\$ 125,513	100
	Operating expenses	6(4)(18)(19)								
6200	General & administrative expenses		(13,591)	(28)	(12,785)	(24)	(26,369)	(21)	(21,703)	(17)
6300	Research and development expenses		(75,128)	(153)	(76,553)	(142)	(143,417)	(114)	(145,415)	(116)
6000	Total operating expenses		(88,719)	(181)	(89,338)	(166)	(169,786)	(135)	(167,118)	(133)
6900	Operating loss		(39,875)	(81)	(35,445)	(66)	(43,734)	(35)	(41,605)	(33)
	Non-operating income and expenses									
7010	Other income	6(16)	1,835	4	1,709	3	2,938	3	2,580	2
7020	Other gains and losses	6(17)	1,665	3	(136)	-	(1,196)	(1)	(141)	-
7050	Finance costs		(400)	(1)	(546)	(1)	(877)	(1)	(1,113)	(1)
7000	Total non-operating income and expenses		3,100	6	1,027	2	865	1	1,326	1
7900	Loss before income tax		(36,775)	(75)	(34,418)	(64)	(42,869)	(34)	(40,279)	(32)
7950	Income tax expense (benefit)	6(20)	(364)	(1)	(110)	-	(364)	-	(164)	-
8200	Loss for the period		<u>(\$ 37,139)</u>	<u>(76)</u>	<u>(\$ 34,528)</u>	<u>(64)</u>	<u>(\$ 43,233)</u>	<u>(34)</u>	<u>(\$ 40,443)</u>	<u>(32)</u>
	Other comprehensive income	6(14)								
8310	Financial statements translation differences of foreign operations		\$ 133	-	\$ 213	-	\$ 657	-	(\$ 237)	-
8300	Total other comprehensive income for the period		<u>\$ 133</u>	<u>-</u>	<u>\$ 213</u>	<u>-</u>	<u>\$ 657</u>	<u>-</u>	<u>(\$ 237)</u>	<u>-</u>
8500	Total comprehensive income for the period		<u>(\$ 37,006)</u>	<u>(76)</u>	<u>(\$ 34,315)</u>	<u>(64)</u>	<u>(\$ 42,576)</u>	<u>(34)</u>	<u>(\$ 40,680)</u>	<u>(32)</u>
	Loss attributable to:									
8610	Owners of the parent		<u>(\$ 37,139)</u>	<u>(76)</u>	<u>(\$ 34,528)</u>	<u>(64)</u>	<u>(\$ 43,233)</u>	<u>(34)</u>	<u>(\$ 40,443)</u>	<u>(32)</u>
	Other comprehensive income attributable to:									
8710	Owners of the parent		<u>(\$ 37,006)</u>	<u>(76)</u>	<u>(\$ 34,315)</u>	<u>(64)</u>	<u>(\$ 42,576)</u>	<u>(34)</u>	<u>(\$ 40,680)</u>	<u>(32)</u>
9750	Basic Loss Per Share	6(21)	<u>(\$ 0.84)</u>	<u>(\$ 0.88)</u>	<u>(\$ 0.98)</u>	<u>(\$ 1.03)</u>				
9850	Diluted Loss Per Share	6(21)	<u>(\$ 0.84)</u>	<u>(\$ 0.88)</u>	<u>(\$ 0.98)</u>	<u>(\$ 1.03)</u>				

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accounts dated August 8, 2013.

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	Equity Attributable to Owners of Parent						Total equity
	Share Capital		Capital Surplus		Retained Earnings	Other Equity	
	Common stock	Advance receipts for share capital	Additional paid-in capital	Share options	Accumulated deficit	Exchange difference on translation of foreign financial statements	
<u>2012</u>							
Balance at January 1, 2012	\$ 391,006	\$ -	\$ 421,454	\$ 3,748	(\$ 468,011)	\$ -	\$ 348,197
Share-based payments	-	-	-	850	-	-	850
Employee stock options	1,914	-	2,719	(347)	-	-	4,286
Capital surplus used to cover accumulated deficit	-	-	(421,454)	-	421,454	-	-
Loss for the period	-	-	-	-	(40,443)	-	(40,443)
Other comprehensive income for the period	-	-	-	-	-	(237)	(237)
Balance at June 30, 2012	<u>\$ 392,920</u>	<u>\$ -</u>	<u>\$ 2,719</u>	<u>\$ 4,251</u>	<u>(\$ 87,000)</u>	<u>(\$ 237)</u>	<u>\$ 312,653</u>
<u>2013</u>							
Balance at January 1, 2013	\$ 439,930	\$ 2,146	\$ 685,958	\$ 4,275	(\$ 235,165)	(\$ 769)	\$ 896,375
Share-based payments	-	-	-	815	-	-	815
Employee stock options	766	(2,146)	1,650	(270)	-	-	-
Capital surplus used to cover accumulated deficit	-	-	(229,974)	-	229,974	-	-
Loss for the period	-	-	-	-	(43,233)	-	(43,233)
Other comprehensive income for the period	-	-	-	-	-	657	657
Balance at June 30, 2013	<u>\$ 440,696</u>	<u>\$ -</u>	<u>\$ 457,634</u>	<u>\$ 4,820</u>	<u>(\$ 48,424)</u>	<u>(\$ 112)</u>	<u>\$ 854,614</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accounts dated August 8, 2013.

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated loss before tax for the period	(\$ 42,869)	(\$ 40,279)
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	815	850
Depreciation	11,173	8,886
Amortization	2,746	3,099
Gain on disposal of property, plant and equipment	-	(9)
Interest expense	877	1,113
Interest income	(2,638)	(253)
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Notes receivable, net	(5,000)	-
Account receivables, net	(15,750)	(9,089)
Other receivables	(27)	5,605
Prepayments	(1,036)	30,537
Other non-current assets	(20,000)	-
Net changes in liabilities relating to operating activities		
Notes payable	(12,952)	2,673
Other payables	(82,403)	(7,481)
Other current liabilities	8,621	(3,118)
Provisions for liabilities	(1,050)	-
Other non-current liabilities	5,110	(722)
Cash used in generated from operations	(154,383)	(8,188)
Interest received	2,310	253
Interest paid	(899)	(1,113)
Income tax paid	(517)	(189)
Net cash used in operating activities	(153,489)	(9,237)

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TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	2013	2012
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in other financial assets	\$ 1,328	\$ 2,997
Acquisition of property, plant and equipment	(3,112)	(6,791)
Proceeds from disposal of property, plant and equipment	-	87
Increase in intangible assets	(108)	(3,412)
Decrease (increase) in refundable deposits	1,073	(2,441)
Increase in other non-current assets	(22,206)	(2,143)
Net cash used in investing activities	(23,025)	(11,703)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payment of long-term borrowings	(9,719)	(8,668)
Employee stock options	-	4,286
Net cash used in financing activities	(9,719)	(4,382)
Effect due to changes in exchange rate	468	(189)
Decrease in cash and cash equivalents	(185,765)	(25,511)
Cash and cash equivalents at beginning of period	908,101	309,029
Cash and cash equivalents at end of period	\$ 722,336	\$ 283,518
<u>Investing activities that result in partial cash flows</u>		
Acquisition of property, plant and equipment	\$ 3,399	\$ 15,207
Add: Other payables at beginning of period	4,321	5,030
Less: Other payables at end of period	(4,608)	(13,446)
Cash paid	\$ 3,112	\$ 6,791

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accounts dated August 8, 2013.

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2012

(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 Law of the Republic of China (R.O.C.) and was listed on the GreTai Securities Market since December 21, 2012. The Company and its subsidiaries (collectively referred herein as the “Group”) are a biopharmaceutical company 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 August 8, 2013.

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”)

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

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

IFRS 9, ‘Financial Instruments: Classification and measurement of financial assets’

A. The International Accounting Standards Board (“IASB”) published IFRS 9, ‘Financial Instruments’, in November, 2009, which will take effect on January 1, 2015 with early application permitted. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 (“IAS 39”), ‘Financial Instruments: Recognition and Measurement’ reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments. However, based on preliminary evaluation, there might have no significant effect.

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

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, "Financial Instruments: Disclosures" and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9 "Financial instruments: Classification and measurement of financial liabilities"	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	January 1, 2015
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters shall apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes - recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, "Consolidated financial statements"	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 12, "Disclosure of interests in other entities"	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27, "Separate Financial Statements" (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, "Consolidated Financial Statements".	January 1, 2013
IAS 28, "Investments in Associates and Joint Ventures" (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, "Joint Arrangements", IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
IFRS 13, "Fair value measurement"	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, "Employee benefits" (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Offsetting Financial assets and financial liabilities (Amendment to IAS 32)	The amendment clarifies criterion that an entity "currently has a legally enforceable right to set off the recognised amounts" and gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.	January 1, 2014
Mandatory effective date and transition disclosures (amendment to IFRS 7 and IFRS 9)	The mandatory effective date has been postponed to January 1, 2015.	January 1, 2015
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, "Financial instruments", and IAS 20, "Accounting for government grants and disclosure of government assistance", prospectively to government loans that exist at the date of transition to IFRS.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define "Investment Entities" and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit of loss instead of consolidating them.	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
IFRIC 21, "Levies"	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets".	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

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

- A. These consolidated financial statements are the first second-quarter consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", IAS 34, 'Interim Financial Reporting', and IFRS 1, 'First-time Adoption of International Financial Reporting Standards', as endorsed by the FSC.
- B. In the preparation of the balance sheet as of January 1, 2012 (the Group's date of transition to IFRSs) ("the opening IFRSs balance sheet"), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins as endorsed by the FSC (collectively referred herein as the "IFRSs") on the Group's financial position, operating results and cash flows.

(2) Basis of preparation

- A. Except for defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised prior period's service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and 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 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 special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- 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:

Investor	Subsidiary	Main activities	Owership (%)		Description
			June 30, 2013	December 31, 2012	
Taiwan Liposome Company	TLC Biopharmaceuticals, Inc.	Research on new anti-cancer drugs and biotechnology services	100	100	
Taiwan Liposome Company	TLC Biopharmaceuticals, B.V.	Technical authorization and product development	100	100	

Investor	Subsidiary	Main activities	Owership (%)		Description
			June 30, 2012	January 1, 2012	
Taiwan Liposome Company	TLC Biopharmaceuticals, Inc.	Research on new anti-cancer drugs and biotechnology services	100	100	
Taiwan Liposome Company	TLC Biopharmaceuticals, B.V.	Technical authorization and product development	100	100	

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

F. The subsidiaries included in these consolidated financial statements did not meet the definition of significant subsidiaries. The financial statements of these consolidated subsidiaries for the six-month period ended June 30, 2012 were not reviewed by independent accountants. The total assets and total liabilities of these unreviewed subsidiaries as of June 30, 2012 were \$11,638 and \$588, constituting 2.5% of total consolidated assets and 0.4% of total consolidated liabilities, respectively, and the total comprehensive loss were \$7,563 and \$15,403, constituting 22.0% and 37.9% of the consolidated total comprehensive loss for the three-month and the six-month periods ended June 30, 2012, respectively.

(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) Classification of current and non-current items

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

- a) Assets arising from operating activities that are expected to be 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 and 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) Notes and accounts receivable, other receivables

Notes and 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. Notes and accounts receivable and other receivables are recognized initially at fair value and subsequently measured at amortized 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 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 has occurred, 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) Derecognition of financial assets

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

- A. The cash flows from the financial assets have been received.
- B. The contractual rights to receive cash flows from the financial asset expire.
- C. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- D. The contractual right to receive cash flows from the financial assets have been transferred; however, the Group has not retained control of the financial asset.

(10) Property, plant and equipment

- 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. If 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 balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

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

(11) Leased assets/ lessee

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) Intangible assets

- A. Professional technology is stated at cost and amortized on a straight-line basis.
- B. Computer software is stated at cost and amortized on a straight-line basis over 2 ~ 4 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, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss.

(14) Borrowings

- A. 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.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(15) Notes payable

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

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, together with adjustments for unrecognised past-service costs. 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income.
- iii. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(19) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are 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. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(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 income 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 income 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 income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income 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 income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income 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. Tax preference given for expenditures incurred on research and development and employees' training is recorded using the income tax credits accounting.
- 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) Share capital

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

(22) Revenue recognition

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Royalty revenue shall be recognized in a reasonable and systematic approach during the authorized period, and shall not be recognized 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.

(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 chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical 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. The above information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of tangible and intangible assets (excluding goodwill)

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 of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Cash on hand	\$ 98	\$ 83
Checking and demand deposits	74,079	908,018
Time deposits	<u>648,159</u>	<u>-</u>
Cash and cash equivalents as per consolidated balance sheet	<u>\$ 722,336</u>	<u>\$ 908,101</u>
	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Cash on hand	\$ 82	\$ 75
Checking and demand deposits	<u>283,436</u>	<u>308,954</u>
Cash and cash equivalents as per consolidated balance sheet	<u>\$ 283,518</u>	<u>\$ 309,029</u>

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. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash.

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

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Accounts receivable	<u>\$ 50,815</u>	<u>\$ 35,065</u>
	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Accounts receivable	<u>\$ 14,340</u>	<u>\$ 5,251</u>

A. The Group's accounts receivable including royalty revenue and co-development revenue. The average credit term was 30~90 days, therefore, the Group expects that the fair value is equal to its book value.

B. The credit quality of accounts receivable were neither past due nor impaired as the counterparties of the Group are corporate pharmaceutical factories with high credit quality. 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. Therefore, the maximum exposure to credit risk at June 30, 2013, December 31, 2012, June 30, 2012 and

January 1, 2012 was the carrying amount of accounts receivable.

(3) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2013</u>						
Cost	\$ 14,962	\$ 29,532	\$ 81,719	\$ 8,663	\$ 28,576	\$ 163,452
Accumulated depreciation	-	(2,078)	(38,759)	(2,702)	(2,806)	(46,345)
	<u>\$ 14,962</u>	<u>\$ 27,454</u>	<u>\$ 42,960</u>	<u>\$ 5,961</u>	<u>\$ 25,770</u>	<u>\$ 117,107</u>
<u>Six-month period ended June 30, 2013</u>						
Opening net book amount	\$ 14,962	\$ 27,454	\$ 42,960	\$ 5,961	\$ 25,770	\$ 117,107
Additions	-	-	3,399	-	-	3,399
Transfer (Note)	-	-	1,732	-	-	1,732
Depreciation charge	-	(328)	(6,975)	(865)	(3,005)	(11,173)
Net exchange differences	-	-	65	2	44	111
Closing net book amount	<u>\$ 14,962</u>	<u>\$ 27,126</u>	<u>\$ 41,181</u>	<u>\$ 5,098</u>	<u>\$ 22,809</u>	<u>\$ 111,176</u>
<u>At June 30, 2013</u>						
Cost	\$ 14,962	\$ 29,532	\$ 85,590	\$ 8,683	\$ 28,634	\$ 167,401
Accumulated depreciation	-	(2,406)	(44,409)	(3,585)	(5,825)	(56,225)
	<u>\$ 14,962</u>	<u>\$ 27,126</u>	<u>\$ 41,181</u>	<u>\$ 5,098</u>	<u>\$ 22,809</u>	<u>\$ 111,176</u>

	<u>Land</u>	<u>Buildings</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2012</u>							
Cost	\$ 14,962	\$ 29,532	\$ 71,206	\$ 3,527	\$ 11,068	\$ -	\$ 130,295
Accumulated depreciation	<u>-</u>	<u>(1,422)</u>	<u>(30,738)</u>	<u>(1,840)</u>	<u>(6,018)</u>	<u>-</u>	<u>(40,018)</u>
	<u>\$ 14,962</u>	<u>\$ 28,110</u>	<u>\$ 40,468</u>	<u>\$ 1,687</u>	<u>\$ 5,050</u>	<u>\$ -</u>	<u>\$ 90,277</u>
<u>Six-month period ended June 30, 2012</u>							
Opening net book amount	\$ 14,962	\$ 28,110	\$ 40,468	\$ 1,687	\$ 5,050	\$ -	\$ 90,277
Additions	-	-	3,210	222	49	11,726	15,207
Transfer (Note)	-	-	(78)	-	-	-	(78)
Depreciation charge	-	-	1,482	-	-	-	1,482
Net exchange differences	-	(328)	(6,256)	(493)	(1,809)	-	(8,886)
Closing net book amount	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>-</u>	<u>(16)</u>	<u>-</u>	<u>(54)</u>
	<u>\$ 14,962</u>	<u>\$ 27,782</u>	<u>\$ 38,788</u>	<u>\$ 1,416</u>	<u>\$ 3,274</u>	<u>\$ 11,726</u>	<u>\$ 97,948</u>
<u>At June 30, 2012</u>							
Cost	\$ 14,962	\$ 29,532	\$ 75,566	\$ 3,742	\$ 11,089	\$ 11,726	146,617
Accumulated depreciation	<u>-</u>	<u>(1,750)</u>	<u>(36,778)</u>	<u>(2,326)</u>	<u>(7,815)</u>	<u>-</u>	<u>(48,669)</u>
	<u>\$ 14,962</u>	<u>\$ 27,782</u>	<u>\$ 38,788</u>	<u>\$ 1,416</u>	<u>\$ 3,274</u>	<u>\$ 11,726</u>	<u>\$ 97,948</u>

Note: Transferred from prepayments for business facilities.

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:

	<u>Professional technology</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2013</u>			
Cost	\$ 49,050	\$ 1,473	\$ 50,523
Accumulated amortisation	(20,851)	(275)	(21,126)
	<u>\$ 28,199</u>	<u>\$ 1,198</u>	<u>\$ 29,397</u>
<u>Six-month period ended</u>			
<u>June 30, 2013</u>			
Opening net book amount	\$ 28,199	\$ 1,198	\$ 29,397
Addition-acquired separately	-	108	108
Amortisation charge	(2,546)	(200)	(2,746)
Net exchange differences	<u>78</u>	<u>-</u>	<u>78</u>
Closing net book amount	<u>\$ 25,731</u>	<u>\$ 1,106</u>	<u>\$ 26,837</u>
<u>At June 30, 2013</u>			
Cost	\$ 49,128	\$ 1,581	\$ 50,709
Accumulated amortisation	(23,397)	(475)	(23,872)
	<u>\$ 25,731</u>	<u>\$ 1,106</u>	<u>\$ 26,837</u>
	<u>Professional technology</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2012</u>			
Cost	\$ 46,138	\$ 2,369	\$ 48,507
Accumulated amortisation	(15,764)	(1,407)	(17,171)
	<u>\$ 30,374</u>	<u>\$ 962</u>	<u>\$ 31,336</u>
<u>Six-month period ended</u>			
<u>June 30, 2012</u>			
Opening net book amount	\$ 30,374	\$ 962	\$ 31,336
Addition-acquired separately	2,988	424	3,412
Amortisation charge	(2,455)	(644)	(3,099)
Net exchange differences	(1)	-	(1)
Closing net book amount	<u>\$ 30,906</u>	<u>\$ 742</u>	<u>\$ 31,648</u>
<u>At June 30, 2012</u>			
Cost	\$ 49,125	\$ 2,241	\$ 51,366
Accumulated amortisation	(18,219)	(1,499)	(19,718)
	<u>\$ 30,906</u>	<u>\$ 742</u>	<u>\$ 31,648</u>

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

	For the three-month periods ended June 30,	
	2013	2012
General and administrative expenses	\$ 102	\$ 235
Research and development expenses	1,274	1,227
	<u>\$ 1,376</u>	<u>\$ 1,462</u>
	For the six-month periods ended June 30,	
	2013	2012
General and administrative expenses	\$ 200	\$ 644
Research and development expenses	2,546	2,455
	<u>\$ 2,746</u>	<u>\$ 3,099</u>

(5) Other non-current assets

	June 30, 2013	December 31, 2012
Prepayments for business facilities	\$ 31,957	\$ 11,483
Prepaid expense for medicines research - over one year	20,000	-
Other financial assets - non-current	7,562	8,890
Refundable deposits	3,420	4,493
	<u>\$ 62,939</u>	<u>\$ 24,866</u>
	June 30, 2012	January 1, 2012
Prepayments for business facilities	\$ 6,537	\$ 5,876
Other financial assets - non-current	10,219	11,548
Refundable deposits	4,496	2,055
	<u>\$ 21,252</u>	<u>\$ 19,479</u>

(6) Other payables

	June 30, 2013	December 31, 2012
Salaries and bonuses	\$ 11,776	\$ 13,041
Research expenses	8,408	85,066
Research medicines expenses	4,035	1,821
Service expenses	1,840	3,883
Accrued expenses	4,408	9,081
Payables on machinery and equipment	1,521	1,234
	<u>\$ 31,988</u>	<u>\$ 114,126</u>

	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Salaries and bonuses	\$ 9,220	\$ 10,599
Research expenses	9,332	10,079
Research medicines expenses	1,060	1,926
Service expenses	1,451	2,992
Accrued expenses	3,209	5,628
Payables on machinery and equipment	5,489	1,713
	<u>\$ 29,761</u>	<u>\$ 32,937</u>

(7) Long-term borrowings

<u>Type of loans</u>	Borrowing period and repayment term	Interest rate	Collateral	<u>June 30, 2013</u>
Taiwan Business Bank secured borrowings	Note 1	2.25%	Land and buildings	\$ 42,427
Taiwan Business Bank secured borrowings	Note 2	3.00%	Demand deposits	15,536
Taiwan Business Bank secured borrowings	Note 3	1%	Demand deposits	16,560
Taiwan Business Bank secured borrowings	Note 4	1%	Time deposits	<u>5,060</u>
				79,583
Less: current portion (recorded as other current liabilities)				(19,497)
				<u>\$ 60,086</u>

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2012
Taiwan Business Bank secured borrowings	Note 1	2.495%	Land and buildings	\$ 43,478
Taiwan Business Bank secured borrowings	Note 2	3.29%	Demand deposits	19,420
Taiwan Business Bank secured borrowings	Note 3	1%	Demand deposits	19,320
Taiwan Business Bank secured borrowings	Note 4	1%	Time deposits	7,084
				89,302
Less: current portion (recorded as other current liabilities)				(19,428)
				\$ 69,874

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	June 30, 2012
Taiwan Business Bank secured borrowings	Note 1	2.495%	Land and buildings	\$ 43,650
Taiwan Business Bank secured borrowings	Note 2	3.29%	Demand deposits	23,304
Taiwan Business Bank secured borrowings	Note 3	1%	Demand deposits	22,080
Taiwan Business Bank secured borrowings	Note 4	1%	Time deposits	9,108
				98,142
Less: current portion (recorded as other current liabilities)				(18,527)
				\$ 79,615

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	January 1, 2012
Taiwan Business Bank secured borrowings	Note 1	2.495%	Land and buildings	\$ 43,650
Taiwan Business Bank secured borrowings	Note 2	3.29%	Demand deposits	27,188
Taiwan Business Bank secured borrowings	Note 3	1%	Demand deposits	24,840
Taiwan Business Bank secured borrowings	Note 4	1%	Time deposits	11,132
				106,810
Less: current portion (recorded as other current liabilities)				(17,505)
				\$ 89,305

Note 1: 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 is payable monthly from the third year after the draw-down date.

Note 2: 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.

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 “Development of Level NanoVNB” and signed the loan contract with the Industrial Development Bureau in 2005 in the amount of \$38,000 (the bank: Taiwan Business Bank). The original contract period is from October 2005 to July 2011. In 2009, the Company requested for the extension of the maturity date to July 2014. The loan is payable in quarterly capital installments of \$1,012 (first quarter: \$2,580; second to seventh quarter: \$2,530 each quarter), with a moratorium until January 2008 and maturing in July 2014.

As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the Group had no undrawn loan facilities. The information about the Group's liquidity risk is provided in Note 12 (2) C c).

(8) Pensions

A. 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. The Group recognised pension expenses in the statement of comprehensive income of \$56 and \$53 for the three-month periods ended June 30, 2013 and 2012, respectively, and \$111 and \$105 for the six-month periods ended June 30, 2013 and 2012, respectively.

b) The amounts recognised in the balance sheet are determined as follows:

	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Present value of funded obligations	\$ 3,526	\$ 3,057
Fair value of plan assets	<u>(1,319)</u>	<u>(1,099)</u>
	2,207	1,958
Present value of unfunded obligations	-	-
Unrecognised actuarial losses / (gains)	-	-
Unrecognised past service cost	<u>-</u>	<u>-</u>
Net liability in the balance sheet (recorded as other non-current liabilities)	<u>\$ 2,207</u>	<u>\$ 1,958</u>

c) As of December 31, 2012 and January 1, 2012, cumulative actuarial losses/(gains) recognised in other comprehensive income were \$425 and \$0, respectively.

d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates

offered by local banks. The composition of fair value of plan assets as of June 30, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

e) The principal actuarial assumptions used were as follows:

	<u>2012</u>	<u>2011</u>
Discount fee	<u>1.50%</u>	<u>1.75%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>
Expected return on plan assets	<u>1.50%</u>	<u>1.75%</u>

Assumptions regarding future mortality experience are set based on actuarial valuation in accordance with the 5th version and 4th version of Taiwan Standard Ordinary Experience Mortality Tables.

f) Historical information of experience adjustments was as follows:

	<u>2012</u>
Present value of defined benefit obligations	\$ 3,526
Fair value of plan assets	(1,319)
Deficit in the plan	<u>\$ 2,207</u>
Experience adjustments on plan liabilities	<u>\$ 235</u>
Experience adjustments on plan assets	<u>(\$ 10)</u>

g) Expected contributions to the defined benefit pension plans of the Group within one year from June 30, 2013 are \$224.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the three-month periods ended June 30, 2013 and 2012 were \$1,018 and \$884, respectively, and for the six-month periods ended June 30, 2013 and 2012 were \$1,942 and \$1,722, 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 Group has no further obligations. The pension costs of the Company

for the three-month periods ended June 30, 2013 and 2012 were \$74 and \$126, respectively, and for the six-month periods ended June 30, 2013 and 2012 were \$149 and \$242, respectively.

(9) Share-based payment

A. As of June 30, 2013 and 2012, the Company's equity-settled share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2007.06.01	97.5	5 years	1 month service vested immediately
"	2007.06.01	313.9	5 years	1 year service vested immediately
"	2007.12.31	186.0	5 years	1 year service vested immediately
"	2008.12.31	112.0	5 years	1 year service vested immediately
"	2009.04.13	102.5	3 years	1 month service vested immediately
"	2009.04.13	188.2	3 years	1 year service vested immediately
"	2009.10.29	788.0	5 years	1 year service vested immediately
"	2010.01.21	200.0	5 years	1 year service vested immediately
"	2010.07.22	108.0	5 years	1 year service vested immediately
"	2011.07.14	1,200.0	5 years	2 years service vested immediately
"	2011.12.23	168.0	5 years	2 years service vested immediately
"	2012.05.08	132.0	5 years	2 years service vested immediately
Cash capital increase reserved for employee preemption	2012.12.14	693.0	None	Vested immediately

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

	For the six-month periods ended June 30,			
	2013		2012	
	No. of units (in thousands)	Weighted- average exercise price (in thousands)	No. of units (in thousands)	Weighted- average exercise price (in thousands)
Options outstanding at beginning of period	1,543.3	\$ 44	1,937.1	\$ 35
Options granted	-	-	132.0	117.3
Options exercised	-	-	(191.4)	22
Options revoked	(26.0)	35	(89.0)	52
Options outstanding at end of period	<u>1,517.3</u>	44	<u>1,788.7</u>	42
Options exercisable at end of period	<u>95.2</u>		<u>77.3</u>	
Options permitted but not yet outstanding at end of period	<u>-</u>		<u>-</u>	

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

June 30, 2013						
			Options outstanding at end of period		Options exercisable at end of period	
Exercise price (in dollars)	Quantity (in thousands)	Weighted average expected remaining life (years)	Weighted average exercise price (in dollars)	Quantity (in thousands)	Weighted average exercise price (in dollars)	
\$ 28	247.3	1.46	\$ 28	95.2	\$ 28	
35	999.0	3.04	35	-	35	
69.9	149.0	3.48	69.9	-	69.9	
117.3	122.0	3.86	117.3	-	117.3	
	<u>1,517.3</u>			<u>95.2</u>		

December 31, 2012					
		Options outstanding at end of period		Options exercisable at end of period	
		Weighted average expected remaining	Weighted average exercise price	Quantity	Weighted average exercise price
Exercise price (in dollars)	Quantity (in thousands)	life (years)	(in dollars)	(in thousands)	(in dollars)
\$ 28	247.3	1.96	\$ 28	37.5	\$ 28
35	1,025.0	3.54	35	-	35
69.9	149.0	3.98	69.9	-	69.9
117.3	122.0	4.35	117.3	-	117.3
	<u>1,543.3</u>			<u>37.5</u>	

June 30, 2012					
		Options outstanding at end of period		Options exercisable at end of period	
		Weighted average expected remaining	Weighted average exercise price	Quantity	Weighted average exercise price
Exercise price (in dollars)	Quantity (in thousands)	life (years)	(in dollars)	(in thousands)	(in dollars)
\$ 28	411.7	2.45	\$ 28	77.3	\$ 28
35	1,106.0	4.04	35	-	35
69.9	149.0	4.48	69.9	-	69.9
117.3	122.0	4.86	117.3	-	117.3
	<u>1,788.7</u>			<u>77.3</u>	

January 1, 2012					
		Options outstanding at end of period		Options exercisable at end of period	
		Weighted average expected remaining	Weighted average exercise price	Quantity	Weighted average exercise price
Exercise price (in dollars)	Quantity (in thousands)	life (years)	(in dollars)	(in thousands)	(in dollars)
\$ 18	30.5	1.11	\$ 18	30.5	\$ 18
18	76.8	0.29	18	42.1	18
28	495.8	2.94	28	12.1	28
35	1,166.0	4.54	35	-	35
69.9	168.0	4.98	69.9	-	69.9
	<u>1,937.1</u>			<u>84.7</u>	

D. 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	<u>May 8, 2012</u>	<u>December 23, 2011</u>	<u>July 14, 2011</u>
Dividend yield rate	-	-	-
Exercise price volatility	42.44%	43.92%	44.70%
Risk-free interest rate	1.00%	1.00%	1.14%
Expected vesting period (years)	3.875	3.875	3.875
Per share exercise price (in dollars) \$	117.3	\$ 69.9	\$ 35
Weighted stock options average fair value (in dollars)	5.98	1.65	2.34
Grant date	<u>July 22, 2010</u>	<u>January 21, 2010</u>	<u>October 29, 2009</u>
Dividend yield rate	-	-	-
Exercise price volatility	41.66%	42.23%	48.10%
Risk-free interest rate	0.64%	0.65%	0.76%
Expected vesting period (years)	3.75	3.75	3.75
Per share exercise price (in dollars) \$	28	\$ 28	\$ 28
Weighted stock options average fair value (in dollars)	2.30	3.15	3.53
Grant date	<u>April 13, 2009 (A)</u>	<u>April 13, 2009 (B)</u>	<u>December 31, 2008</u>
Dividend yield rate	-	-	-
Exercise price volatility	53.21%	52.88%	52.87%
Risk-free interest rate	0.30%	0.52%	0.25%
Expected vesting period (years)	1.61	2.615	2.55
Per share exercise price (in dollars) \$	18	\$ 18	\$ 18
Weighted stock options average fair value (in dollars)	0.824	1.47	1.41
Grant date	<u>December 31, 2007</u>	<u>June 1, 2007 (A)</u>	<u>June 1, 2007 (B)</u>
Dividend yield rate	-	-	-
Exercise price volatility	44.81%	42.04%	41.79%
Risk-free interest rate	2.43%	2.44%	2.44%
Expected vesting period (years)	3.55	2.54	3.55
Per share exercise price (in dollars) \$	18	\$ 18	\$ 18
Weighted stock options average fair value (in dollars)	3.29	4.04	4.91

Cash capital increase reserved for employee preemption

Grant date	<u>December 14, 2012</u>
Dividend yield rate	-
Exercise price volatility	45.84%
Risk-free interest rate	0.67%
Expected vesting period (years)	0.01
Per share exercise price (in dollars)	\$ 158
Weighted stock options average fair value (in dollars)	-

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

	<u>For the three-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Equity-settled	<u>\$ 815</u>	<u>\$ 850</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Equity-settled	<u>\$ 815</u>	<u>\$ 850</u>

(10) Provisions for other liabilities (Decommissioning liabilities)

	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
At January 1	\$ 4,137	\$ 3,853
Used during the period	(1,050)	-
At June 30	<u>\$ 3,087</u>	<u>\$ 3,853</u>
Analysis of total provisions:		
	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Current	<u>\$ -</u>	<u>\$ 1,050</u>
Non-current	<u>\$ 3,087</u>	<u>\$ 3,087</u>
	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Current	<u>\$ 2,341</u>	<u>\$ -</u>
Non-current	<u>\$ 1,512</u>	<u>\$ 3,853</u>

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 4 years.

(11) Share capital

A. As of June 30, 2013, the Company's authorized capital was \$600,000, and the paid-in capital was \$440,696, 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):

	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
At January 1	\$ 43,993	\$ 39,101
Employee stock options exercised	<u>77</u>	<u>191</u>
At June 30	<u>\$ 44,070</u>	<u>\$ 39,292</u>

- 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.

(12) 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.

(13) 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. After deducting items A to C, appropriating 2% of remaining earnings as remuneration to directors and supervisors.
 - e. After deducting items A to C, appropriating 2%~8% of remaining earnings as employees' bonuses.
- 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 28, 2013 and June 26, 2012 adopted a resolution to use capital reserve amounting to \$229,974 and \$421,454, respectively, to cover accumulated deficit. 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.

(14) Other equity items

The Group’s other equity items are exchange differences on translation of foreign financial statements. The movement in other equity items during the period is as follows:

	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
At January 1	(\$ 769)	\$ -
Currency translation differences-group	<u>657</u>	<u>(237)</u>
At June 30	<u>(\$ 112)</u>	<u>(\$ 237)</u>

(15) Operating revenue

	<u>For the three-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Co-development revenue	\$ 36,123	\$ 45,795
Royalty payment revenue	<u>12,721</u>	<u>8,098</u>
	<u>\$ 48,844</u>	<u>\$ 53,893</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Co-development revenue	\$ 104,685	\$ 108,947
Royalty payment revenue	<u>21,367</u>	<u>16,566</u>
	<u>\$ 126,052</u>	<u>\$ 125,513</u>

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

- a) The Company, TEVA Pharmaceuticals, Curacao, NV. (TEVA) and TWI Pharmaceuticals, Inc. (TWI) signed an agreement to co-develop generic drugs. This agreement authorizes TEVA to sell anti-cancer drugs developed by the Company in 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 to the market, a royalty fee will be received by the Company, which is equal to a certain percentage of its net sales revenue.

- b) The Company, YUNGSHIN PHARM IND. CO. LTD (YSP) signed an agreement to co-develop generic drugs. This agreement authorizes YSP the exclusive right in Taiwan to produce and promote. The Company recognizes up-front payment revenue in installments during the development stage and also recognizes milestone payment revenue upon each milestone achieved. Under the contract, if the Company has not obtained the drug permit licence from “Taiwan government” during the period, the Company must reimburse YSP 25% of signing bonuses and milestone payment. The Company acquired the drug permit license from the Ministry of Health and Welfare, Executive Yuan, on July 1, 2013, therefore the Company deferred recognition of this part of revenue (recorded as other current liabilities) as of June 30, 2013. Once the new drug is launched in the market, a royalty fee will be received by the Company, which is equal to a certain percentage of its net sales revenue.
- c) 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.
- B. The Company granted TTY Biopharm Company Limited (TTY) the exclusive right in Taiwan 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.

(16) Other income

	<u>For the three-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Interest income	\$ 1,570	\$ 245
Government subsidy income (Note)	-	1,436
Others	265	28
	<u>\$ 1,835</u>	<u>\$ 1,709</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Interest income	\$ 2,638	\$ 253
Government subsidy income (Note)	-	2,265
Others	300	62
	<u>\$ 2,938</u>	<u>\$ 2,580</u>

(Note) The Company entered into a “A Lipid-based Sustained Release Ophthalmicdrug” contract with the Institute for Information Industry in 2011, and the Company is entitled to receive \$12,800 in subsidy as approved by the (100) Zi-An-Zi Letter No. 1001000462. The Company recognized government subsidy income according to the progress of execution.

(17) Other gains and losses

	For the three-month periods ended June 30,	
	2013	2012
Net currency exchange gain (losses)	\$ 1,665	(\$ 145)
Gains on disposal of property, plant and equipment	-	9
	<u>\$ 1,665</u>	<u>(\$ 136)</u>
	For the six-month periods ended June 30,	
	2013	2012
Net currency exchange losses	(\$ 1,196)	(\$ 150)
Gains on disposal of property, plant and equipment	-	9
	<u>(\$ 1,196)</u>	<u>(\$ 141)</u>

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

	For the three-month periods ended June 30,	
	2013	2012
Employee benefit expense	\$ 29,279	\$ 27,296
Depreciation charges on property, plant and equipment	5,585	4,422
Amortization charges on intangible assets	1,376	1,462
Research expenses	27,642	25,840
Research medicine expenses	6,595	15,356
Service expenses	3,648	3,760
Transportation expenses	681	747
Operating lease payments	4,600	3,002
Other expenses	9,313	7,453
	<u>\$ 88,719</u>	<u>\$ 89,338</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Employee benefit expense	\$ 56,272	\$ 53,189
Depreciation charges on property, plant and equipment	11,173	8,886
Amortization charges on intangible assets	2,746	3,099
Research expenses	54,295	40,370
Research medicine expenses	10,037	34,626
Service expenses	6,469	7,155
Transportation expenses	1,969	1,807
Operating lease payments	8,855	5,862
Other expenses	17,970	12,124
	<u>\$ 169,786</u>	<u>\$ 167,118</u>

(19) Employee benefit expense

	<u>For the three-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Wages and salaries	\$ 24,487	\$ 22,531
Employee stock options	815	850
Labor and health insurance fees	1,861	1,655
Pension costs	1,148	1,063
Other personnel expenses	968	1,197
	<u>\$ 29,279</u>	<u>\$ 27,296</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Wages and salaries	\$ 47,568	\$ 44,612
Employee stock options	815	850
Labor and health insurance fees	3,691	3,418
Pension costs	2,202	2,069
Other personnel expenses	1,996	2,240
	<u>\$ 56,272</u>	<u>\$ 53,189</u>

(20) Income tax

A. Income tax expense

a) Components of income tax expense:

	<u>For the three-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Current tax:		
Current tax on profits for the period	<u>\$ 364</u>	<u>\$ 110</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Current tax:		
Current tax on profits for the period	<u>\$ 364</u>	<u>\$ 164</u>

b) The adjustment for the difference between accounting profit and taxable profit:

	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Income tax at the statutory tax rate (as income tax expense)	<u>\$ 364</u>	<u>\$ 164</u>

c) The Company's other comprehensive income only comprised translation differences of foreign operations. The Group can control the timing for reversing the temporary differences of these foreign subsidiaries, and it is highly possible that the temporary differences may not be reversed in the foreseeable future; therefore related taxes were not recognized.

B. The Company's income tax returns through 2011 have been assessed and approved by the Tax Authority.

C. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the balance of the imputation tax credit account was \$0, and there was no distributable earnings. The creditable tax rate was not applicable.

D. As of June 30, 2013, the Company had an accumulated deficit. Therefore, the earnings distribution information disclosure is not applicable.

<u>For the six-month period ended June 30, 2013</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the Company	(\$ 43,233)	44,066	(\$ <u>0.98</u>)
Dilutive effect of common stock equivalents:			
Employees' stock options	-	(Note)	
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	(\$ <u>43,233</u>)	<u>44,066</u>	(\$ <u>0.98</u>)

<u>For the six-month period ended June 30, 2012</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the Company	(\$ 40,443)	39,106	(\$ <u>1.03</u>)
Dilutive effect of common stock equivalents:			
Employees' stock options	-	(Note)	
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	(\$ <u>40,443</u>)	<u>39,106</u>	(\$ <u>1.03</u>)

(Note) Since the shares have anti-dilutive effect when using the treasury method, such shares shall not be included.

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 long-term loans with the Industrial Development Bureau. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, details of loans are described in Note 6(7).

(3) Key management compensation

	<u>For the three-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Salaries and other short-term employee benefits	\$ 3,789	\$ 3,184
Share-based payments	138	135
Post-employment benefits	27	27
	<u>\$ 3,954</u>	<u>\$ 3,346</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Salaries and other short-term employee benefits	\$ 7,962	\$ 6,727
Share-based payments	138	135
Post-employment benefits	54	54
	<u>\$ 8,154</u>	<u>\$ 6,916</u>

8. PLEGGED ASSETS

<u>Assets Pledged</u>	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>Pledge purpose</u>
Shown as other current assets			
Demand deposits	<u>\$ 2,658</u>	<u>\$ 2,658</u>	Note 1
Shown as other non-current assets			
Demand deposits	\$ 3,762	\$ 5,090	Note 1
Time deposits	<u>3,800</u>	<u>3,800</u>	Note 1
	<u>\$ 7,562</u>	<u>\$ 8,890</u>	
Shown as property, plant and equipment			
Land	\$ 14,962	\$ 14,962	Note 2
Buildings	<u>27,126</u>	<u>27,454</u>	Note 2
	<u>\$ 42,088</u>	<u>\$ 42,416</u>	

Assets Pledged	June 30, 2012	January 1, 2012	Pledge purpose
Shown as other current assets			
Demand deposits	\$ 2,658	\$ 4,326	Note 1
Shown as other non-current assets			
Demand deposits	\$ 6,419	\$ 7,748	Note 1
Time deposits	3,800	3,800	Note 1
	<u>\$ 10,219</u>	<u>\$ 11,548</u>	
Shown as property, plant and equipment			
Land	\$ 14,962	\$ 14,962	Note 2
Buildings	27,782	28,110	Note 2
	<u>\$ 42,744</u>	<u>\$ 43,072</u>	

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

Note 2: The Company provided collaterals for loans.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

The Group has contingent liabilities for legal claims arising from normal business activities.

(2) Commitments

A. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Property, plant and equipment	\$ 44,075	\$ 10,578	\$ 12,906	\$ 5,174

B. Operating lease commitments

The Group leases offices with lease terms between 1 and 4 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:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Not later than one year	\$ 15,679	\$ 19,873	\$ 15,503	\$ 11,418
Later than one year but not later than five years	32,882	37,508	36,094	7,482
Total	<u>\$ 48,561</u>	<u>\$ 57,381</u>	<u>\$ 51,597</u>	<u>\$ 18,900</u>

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

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
	\$ 26,274	\$ 23,032	\$ 15,801	\$ 13,565

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

<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
<u>\$ 209,755</u>	<u>\$ 216,708</u>	<u>\$ 130,569</u>	<u>\$ 131,540</u>

E. 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 USD10,000 per annum and charges royalties of USD300,000 maximum according to its R&D achievement rate and charges royalties equal to a certain percentage of relevant sales volume in the future. As of June 30, 2013, it had paid USD 100,000 in royalty.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) The Company had developed medicine-AmBiL and acquired doctor instruction domestic drug permit license for AmBiL from the Ministry of Health and Welfare, Executive Yuan on July 1, 2013.
- (2) The issuance of 10 million shares of new stock at NT\$298 per share in 2013 was approved per Gin-Guan-Zheng-Fa-Zi Letter No. 1020015076 of the Financial Supervisory Commission, dated May 21, 2013 and the effective date of that capital increase was set on July 29, 2013. However, considering that the capital market condition is subject to a lot of changes recently, to keep the Company's maximum benefit and shareholders' interest, the Company applied with the Financial Supervisory Commission for the extension of the capital raising period for another three months. This application was approved per Gin-Guan-Zheng-Fa-Zi Letter No. 1020027057 of the Financial Supervisory Commission, dated July 12, 2013.
- (3) The Board of Directors of the Company on August 8, 2013 resolved to issue 1,760 thousand shares of employee stock options, and the issue price of common shares of the Company is used as the subscription price on the issue date.

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 June 30, 2013, December 31, 2012, June 30, 2012, January 1, 2012, the Group's debt ratio are as follows:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Total debt	<u>\$ 134,320</u>	<u>\$ 226,448</u>
Total capital	<u>\$ 440,696</u>	<u>\$ 442,076</u>
Debt ratio	<u>30.48%</u>	<u>51.22%</u>
	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Total debt	<u>\$ 147,664</u>	<u>\$ 156,571</u>
Total capital	<u>\$ 392,920</u>	<u>\$ 391,006</u>
Debt ratio	<u>37.58%</u>	<u>40.04%</u>

(2) Financial instruments

A. Fair value information of financial instruments

- (a) The book value of financial instruments measured at amortized cost (including notes receivable, accounts receivable, other receivables, notes payable and other payables) is approximate to their fair value.
- (b) Other financial assets (shown as other current assets and other non-current assets, respectively) 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 on the balance sheet date.
- (c) The fair value of long-term loans is based on the present value of their expected cash flows. However, as the loan rate is far more lower than the market base loan rate and the effect of discounting is minor, the book value is the 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

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

(Foreign currency: functional currency)	June 30, 2013		
	Foreign Currency Amount	Exchange	Book Value
	(In thousands)	Rate	(NTD) (In thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 4,095	30.000	\$ 122,850
GBP : NTD	394	45.780	18,037
<u>Non-monetary items</u>			
USD : NTD	1,480	30.000	44,387
EUR : NTD	14	39.150	531
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	294	30.000	8,820
JPY : NTD	1,000	0.304	304
(Foreign currency: functional currency)	December 31, 2012		
	Foreign Currency Amount	Exchange	Book Value
	(In thousands)	Rate	(NTD) (In thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 1,503	29.040	\$ 43,647
GBP : NTD	422	46.830	19,762
<u>Non-monetary items</u>			
USD : NTD	1,552	29.040	45,079
EUR : NTD	11	38.490	428
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	594	29.040	17,250
AUD : NTD	338	30.165	10,196

				June 30, 2012		
				Foreign Currency		Book Value
				Amount	Exchange	(NTD)
(Foreign currency: functional currency)				(In thousands)	Rate	(In thousands)
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD : NTD	\$	144	29.880	\$	4,303
	GBP : NTD		444	46.720		20,744
<u>Non-monetary items</u>						
	USD : NTD		1,569	29.880		46,870
	EUR : NTD		9	37.560		350
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD : NTD		390	29.880		11,653

				January 1, 2012		
				Foreign Currency		Book Value
				Amount	Exchange	(NTD)
(Foreign currency: functional currency)				(In thousands)	Rate	(In thousands)
<u>Financial assets</u>						
<u>Monetary items</u>						
	GBP : NTD	\$	248	46.730	\$	11,589
<u>Non-monetary items</u>						
	USD : NTD		1,589	30.275		48,105
	EUR : NTD		7	39.180		292
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD : NTD		315	30.275		9,537

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

				For the six-month period ended June 30, 2013		
				Sensitivity Analysis		
				Extent of	Effect on Profit	Effect on Other
(Foreign currency: functional currency)				Variation	or Loss	Comprehensive
				Income		
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD : NTD		1%	\$	1,229	\$ -
	GBP : NTD		1%		180	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD : NTD		1%		88	-
	JPY : NTD		1%		3	-

(Foreign currency: functional currency)	For the six-month period ended June 30, 2012		
	Sensitivity Analysis		
	Extent of Variation	Effect on Profit or Loss	Effect on Other Comprehensive Income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 43	\$ -
GBP : NTD	1%	207	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	117	-

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 six-month periods ended June 30, 2013 and 2012, the Group's loans at variable rate were denominated in the NTD.

At June 30, 2013 and 2012, if interest rates had been 0.2% higher/lower with all other conditions held constant, net loss for the six-month periods ended June 30, 2013 and 2012 would have been \$58 and \$67 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 and committed transactions. 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.

June 30, 2013					
	<u>1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -
Other payables	31,988	-	-	-	-
Long-term borrowings (including current portion)	20,853	17,635	8,648	6,187	35,316
December 31, 2012					
	<u>1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Notes payable	\$ 12,952	\$ -	\$ -	\$ -	\$ -
Other payables	114,126	-	-	-	-
Long-term borrowings (including current portion)	21,183	19,871	12,607	8,957	36,863
June 30, 2012					
	<u>1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Notes payable	\$ 9,239	\$ -	\$ -	\$ -	\$ -
Other payables	29,761	-	-	-	-
Long-term borrowings (including current portion)	20,075	21,058	17,645	11,741	38,410
January 1, 2012					
	<u>1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Notes payable	\$ 2,462	\$ -	\$ -	\$ -	\$ -
Other payables	32,937	-	-	-	-
Long-term borrowings (including current portion)	18,718	21,218	19,838	18,471	39,957

(3) Fair value estimation

The Group had no financial instruments measured at fair value, by valuation method as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only.

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:

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2013				Remarks
				Number of shares	Book value	Ownership (%)	Market value (Note)	
Taiwan Liposome Company	TLC Biopharmaceuticals, Inc. (stock)	A subsidiary of the Company	Investments accounted for using equity method	3,100,000	\$ 44,387	100	\$ 14.32	-
Taiwan Liposome Company	TLC Biopharmaceuticals, B.V. (stock)	A subsidiary of the Company	Investments accounted for using equity method	1,000,000	531	100	0.53	-

(Note) Net value per share.

D. Aggregate purchases or sales of the same securities reaching NT\$100 million or 20% of paid-in capital or more: None.

E. Acquisition of real estate reaching NT\$100 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$100 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 six-month period ended June 30, 2013: None.

J. Significant inter-company transactions during the six-month period ended June 30, 2013:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	TLC Biopharmaceuticals, Inc.	Taiwan Liposome Company	2	Sales revenue	\$ 13,301	(Note 4)	10.55%
2	TLC Biopharmaceuticals, B.V.	Taiwan Liposome Company	2	Sales revenue	1,294	(Note 4)	1.03%
1	TLC Biopharmaceuticals, Inc.	Taiwan Liposome Company	2	Accounts receivable	7,695	(Note 4)	0.78%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Transaction items follow the agreement.

Note 5: Only related party transactions in excess of \$1,000 are disclosed.

(2) Information on investees

All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only. Information related to investee companies' investment income or loss was translated at the average exchange rate for the six-month period ended June 30, 2013 while others were translated at the rate of exchange prevailing on June 30, 2013.

Information of investee company:

Investor	Investee	Location	Main business activities	Initial investment		Shares held as of June 30, 2013			Net profit of the investee for the six-month period ended June 30, 2013	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2013
				Balance as of June 30, 2013	Balance as of January 1, 2013	Number of shares	Ownership (%)	Book value		
Taiwan Liposome Company	TLC Biopharmaceuticals, Inc.	USA	Research on new anti-cancer drugs and biotechnology services	\$ 55,433	\$ 55,433	3,100,000	100	\$ 44,387	\$ 965	(\$ 1,342)
Taiwan Liposome Company	TLC Biopharmaceuticals, B.V.	Netherlands	Technical authorization and product development	4,410	4,410	1,000,000	100	531	96	96

(3) Information on investments in Mainland China: 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 same as the financial report.

(3) Reconciliation for segment profit (loss) and assets

The segment profit (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.

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the second interim consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) The exemptions under IFRS 1 apply to the Group. Relevant information is provided in the consolidated financial statements as of and for the three-month period ended March 31, 2013.

(2) The exceptions to the retrospective application of IFRSs under IFRS 1 apply to the Group. Relevant information is provided in the consolidated financial statements as of and for the three-month period ended March 31, 2013.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. The Group's initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on January 1, 2012 and December 31, 2012 is provided in the consolidated financial statements as of and for the three-month period ended March 31, 2013.

B. Reconciliation for equity on June 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current assets</u>				
Cash and cash equivalents	\$ 283,518	\$ -	\$ 283,518	
Accounts receivable	14,340	-	14,340	
Other receivables	3,300	-	3,300	
Current income tax assets	101	-	101	
Prepayments	5,552	-	5,552	
Other current assets	2,658	-	2,658	
Total current assets	<u>309,469</u>	<u>-</u>	<u>309,469</u>	
<u>Non-current assets</u>				
Property, plant and equipment	104,485	(6,537)	97,948	(1)
Intangible assets	32,651	(1,003)	31,648	(2)
Other non-current assets	14,715	6,537	21,252	(1)
Total non-current assets	<u>151,851</u>	<u>(1,003)</u>	<u>150,848</u>	
Total assets	<u>\$ 461,320</u>	<u>(\$ 1,003)</u>	<u>\$ 460,317</u>	
<u>Current liabilities</u>				
Notes payable	\$ 9,239	\$ -	\$ 9,239	
Other payables	29,235	526	29,761	(3)
Provision for liabilities - current	2,341	-	2,341	
Other current liabilities	23,325	-	23,325	
Total current liabilities	<u>64,140</u>	<u>526</u>	<u>64,666</u>	
<u>Non-current liabilities</u>				
Long-term borrowings	79,615	-	79,615	
Provision for liabilities - non-current	1,512	-	1,512	
Other non-current liabilities	996	875	1,871	(2)
Total non-current liabilities	<u>82,123</u>	<u>875</u>	<u>82,998</u>	
Total liabilities	<u>146,263</u>	<u>1,401</u>	<u>147,664</u>	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Equity attributable to owners</u>				
<u>of parent</u>				
Share capital				
Common stock	\$ 392,920	\$ -	\$ 392,920	
Capital surplus	6,970	-	6,970	
Retained earnings				
Accumulated deficit	(83,538)	(3,462)	(87,000)	(2)(3)(4)
Other equity	(1,295)	1,058	(237)	(2)(4)
Total equity	<u>315,057</u>	<u>(2,404)</u>	<u>312,653</u>	
Total liabilities and equity	<u>\$ 461,320</u>	<u>(\$ 1,003)</u>	<u>\$ 460,317</u>	

C. Reconciliation for comprehensive income for the year ended December 31, 2012 is provided in the consolidated financial statements as of and for the three-month period ended March 31, 2013.

D. Reconciliation for comprehensive loss for the six-month period ended June 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	\$ 125,513	\$ -	\$ 125,513	
Operating expenses				
General and administrative expenses	(21,772)	69	(21,703)	(2)(3)
Research and development expenses	(145,595)	180	(145,415)	(2)(3)
Operating loss	(41,854)	249	(41,605)	
Non-operating income and expenses				
Other income	2,580	-	2,580	
Other gains and losses	(141)	-	(141)	
Financial costs	(1,113)	-	(1,113)	
Loss before income tax	(40,528)	249	(40,279)	
Income tax expense	(164)	-	(164)	
Loss for the period	(40,692)	249	(40,443)	
Other comprehensive income				
Currency translation differences	-	(237)	(237)	
Total comprehensive loss for the period	<u>(\$ 40,692)</u>	<u>\$ 12</u>	<u>(\$ 40,680)</u>	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Loss attributable to:				
Owners of parent	(\$ 40,692)	\$ 249	(\$ 40,443)	
Total comprehensive loss attributable to:				
Owners of parent	(\$ 40,692)	\$ 12	(\$ 40,680)	

E. Reconciliation for comprehensive loss for the three-month period ended June 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	\$ 53,893	\$ -	\$ 53,893	
Operating expenses				
General and administrative expenses	(12,854)	69	(12,785)	(2)(3)
Research and development expenses	(76,733)	180	(76,553)	(2)(3)
Operating loss	(35,694)	249	(35,445)	
Non-operating income and expenses				
Other income	1,709	-	1,709	
Other gains and losses	(136)	-	(136)	
Financial costs	(546)	-	(546)	
Loss before income tax	(34,667)	249	(34,418)	
Income tax expense	(110)	-	(110)	
Loss for the period	(34,777)	249	(34,528)	
Other comprehensive income				
Currency translation differences	-	213	213	
Total comprehensive loss for the period	(\$ 34,777)	\$ 462	(\$ 34,315)	
Loss attributable to:				
Owners of parent	(\$ 34,777)	\$ 249	(\$ 34,528)	
Total comprehensive loss attributable to:				
Owners of parent	(\$ 34,777)	\$ 462	(\$ 34,315)	

Reasons for reconciliation are outlined below:

1) The Group's prepayments for the acquisition of property, plant and equipment are classified as "Property, plant and equipment" in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers". However, under IFRSs, it should be classified as "other non-current assets", therefore, the Group decreased property, plant and equipment by \$6,537 and increased other non-current assets by \$6,537.

2) Pensions

The Company increased accrued pension liabilities by \$875, decreased deferred pension cost by \$1,003, decreased retained earnings at beginning of period by \$2,112, increased net loss not recognized as pension cost by \$146 and decreased operating expenses by \$88.

The reasons are as follows:

- a. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, "Employee Benefits", requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.
 - b. In accordance with generally accepted accounting principles in the Republic of China, actuarial pension gain or loss of the Group is recognised in net pension cost of current period using the 'corridor' method. However, in accordance with IAS 19, "Employee Benefits", the Group has selected to recognise immediately actuarial pension gain or loss in other comprehensive income.
- 3) The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Group recognizes such costs as expenses upon actual payment. However, IAS 19, "Employee Benefits", requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period. Therefore, the Group increased accrued expenses by \$526, and decreased retained earnings at beginning of period and operating expenses by \$687 and \$161, respectively.
- 4) The Group has elected to adopt the exemptions of IFRS 1, "First-time Adoption of International Financial Reporting Standards", and to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates". Therefore, the Group increased cumulative translation adjustments by \$912 and decreased retained earnings by \$912 at the transition

date.

- F. Major adjustments for the consolidated statement of cash flows for the six-month period ended June 30, 2012:
- a) The transition of R.O.C. GAAP to IFRSs has no effect on the Group's cash flows reported.
 - b) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group's cash flows reported.
- G. The accounting policies and selection of exemptions applied in these interim consolidated financial statements may be different from those applied in the first year-end IFRSs consolidated financial statements due to the issuance of related regulations by regulatory authorities, changes in economic environment, or changes in the evaluation of the impact of application of accounting policies and exemptions by the Group.