TaiMed Biologics Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012 and Independent Auditors' Report

Deloitte.
勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan, ROC

Tel :+886 (2) 2545-9988
Fax:+886 (2) 2545-9966
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TaiMed Biologics Inc.

We have audited the accompanying consolidated balance sheets of TaiMed Biologics Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of TaiMed Biologics Inc. as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

Deloitte & Touche

March 12, 2014

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

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

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

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013	December 31, 2012	January 1, 2012
CURRENT ASSETS			
Cash (Notes 4 and 6)	$ 68,631	$ 73,171	$ 70,629
Notes receivables (Notes 4 and 20)	-	-	14,703
Other receivables (Note 4)	1,217	2,005	1,522
Other financial assets - current (Notes 4 and 7)	279,245	436,833	554,457
Other current assets (Note 10)	25,187	24,394	24,013
Total current assets	374,280	536,403	665,324
NON-CURRENT ASSETS			
Property, plant and equipment (Notes 4 and 8)	3,171	4,843	4,255
Intangible assets (Notes 4, 5 and 9)	334,834	334,795	334,857
Other non-current assets (Note 10)	2,433	22,122	43,070
Total non-current assets	340,438	361,760	382,182
TOTAL	$ 714,718	$ 898,163	$ 1,047,506

LIABILITIES AND EQUITY	December 31, 2013	December 31, 2012	January 1, 2012
CURRENT LIABILITIES			
Other payables (Notes 4 and 11)	$ 56,684	$ 13,570	$ 14,812
Other current liabilities	309	663	336
Total current liabilities	56,993	14,233	15,148
Total liabilities	56,993	14,233	15,148
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Ordinary shares	1,941,720	1,937,650	1,930,600
Capital surplus	48,261	28,479	13,477
Accumulated deficits	(1,320,925)	(1,069,248)	(901,407)
Other equity			
Exchange differences on translating foreign operations	(11,331)	(12,951)	(10,312)
Total equity	657,725	883,930	1,032,358
TOTAL	$ 714,718	$ 898,163	$ 1,047,506

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

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	For the Year Ended December 31	
	2013	**2012**
OPERATING EXPENSES (Notes 14 and 20)		
General and administrative expenses	$ (24,408)	$ (21,462)
Research and development expenses	(233,049)	(183,445)
Total operating expenses	(257,457)	(204,907)
NON-OPERATING INCOME AND EXPENSES (Note 4)		
Other income (Notes 14 and 20)	7,563	36,897
Other gains and losses (Note 14)	(1,783)	169
Total non-operating income and expenses	5,780	37,066
LOSS BEFORE INCOME TAX (Note 14)	(251,677)	(167,841)
INCOME TAX EXPENSE (Notes 4, 5 and 15)	-	-
NET LOSS FOR THE YEAR	(251,677)	(167,841)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations (Notes 4 and 13)	1,620	(2,639)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ (250,057)	$ (170,480)
NET LOSS PER SHARE (Note 16)	$ (1.30)	$ (0.87)

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

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 13)		Capital Surplus (Notes 4, 13 and 17)				
	Share (In Thousand)	Amount	Share Premium	Employee Share Options	Accumulated Deficits (Notes 13 and 15)	Exchange Differences on Translating Foreign Operation (Notes 4 and 13)	Total Equity
BALANCE AT JANUARY 1, 2012	193,060	$ 1,930,600	$ -	$ 13,477	$ (901,407)	$ (10,312)	$ 1,032,358
Net loss for the year ended December 31, 2012	-	-	-	-	(167,841)	-	(167,841)
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax	-	-	-	-	-	(2,639)	(2,639)
Share-based payment - vested employee share options	-	-	-	15,002	-	-	15,002
Share-based payment - exercised employee share options	705	7,050	-	-	-	-	7,050
BALANCE AT DECEMBER 31, 2012	193,765	1,937,650	-	28,479	(1,069,248)	(12,951)	883,930
Net loss for the year ended December 31, 2013	-	-	-	-	(251,677)	-	(251,677)
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	-	1,620	1,620
Share-based payment - vested employee share options	-	-	-	19,782	-	-	19,782
Share-based payment - exercised employee share options	407	4,070	1,616	(1,616)	-	-	4,070
BALANCE AT DECEMBER 31, 2013	194,172	$ 1,941,720	$ 1,616	$ 46,645	$ (1,320,925)	$ (11,331)	$ 657,725

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

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	$ (251,677)	$ (167,841)
Adjustments for:		
Depreciation expenses	1,602	1,504
Amortization - deferred service charges	21,157	21,156
Compensation cost of employee share options	19,782	15,002
Interest income	(4,078)	(5,538)
Loss on disposal of property, plant and equipment	1,697	-
Net gain on foreign currency exchange	(100)	(129)
Changes in operating assets and liabilities		
Notes receivables	-	14,703
Other receivables	670	(559)
Other current assets	(793)	(381)
Other payables	43,214	(1,113)
Other current liabilities	(354)	327
Cash used in operations	(168,880)	(122,869)
Interest received	4,196	5,614
Net cash used in operating activities	(164,684)	(117,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in other financial assets	157,600	117,600
Payments for property, plant and equipment	(1,626)	(2,095)
Increase in prepayments for equipment	(423)	-
Increase in refundable deposits	(1,045)	(208)
Net cash generated from investing activities	154,506	115,297
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of employee share options	4,070	7,050
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	1,568	(2,550)
NET INCREASE (DECREASE) IN CASH	(4,540)	2,542
CASH AT THE BEGINNING OF THE YEAR	73,171	70,629
CASH AT THE END OF THE YEAR	$ 68,631	$ 73,171

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

1. GENERAL INFORMATION

TaiMed Biologics Inc. (the "Company") was incorporated on September 5, 2007 as a venture among the Government of the ROC, acting through the Development Fund of the Executive Yuan and certain other investors with initial capital amounts.

The Company is a biotechnology company committed to have the expertise and capability in developing, manufacturing and commercializing new drug for the treatment and prevention of infectious diseases. Since its inception, the Company has devoted substantially all its efforts to developing new drug, capital collecting, recruitment and training of employees, etc. Accordingly, the Company started operation but not yet generated revenue as of December 31, 2013.

The Company's shares have been traded on the Emerging Stock Market of the Taiwan GreTai Securities Market since June 2010.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

As of December 31, 2013 and 2012, the Company and its subsidiaries had 23 and 22 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 12, 2014.

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

a. New, amended and revised standards and interpretations (the "New IFRSs") in issue but not yet effective

   The Company and entities controlled by the Company (the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Effective date not determined
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Effective date not determined
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

b. Significant impending changes in accounting policy that would result from adoption of New IFRSs in issue but not yet effective

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

1) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-Based Payment" and IFRS 8 "Operating Segments" were amended in this annual improvement.

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

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

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

c. The impact of the application of New IFRSs in issue but not yet effective on the Group's consolidated financial statements is as follows:

As of the date the consolidated financial statements were authorized for issue, the Group is continuingly assessing the possible impact that the application of the above New IFRSs will have on the Group's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by the Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (the "IFRSs") endorsed by the FSC.

The Group's consolidated financial statements for the year ended December 31, 2013 are its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 27 for the impact of IFRS conversion on the Group's consolidated financial statements.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 27.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

2) Subsidiaries included in the consolidated financial statements

			% of Ownership			
Investor	**Investee**	**Main Business**	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**	**Remark**
The Company	TaiMed Biologics USA Corp.	Research and development	100	100	100	a)
	TaiMed Biologics HK Limited	Investment	100	100	-	b)
	TMB HK Services Limited	Investment	100	100	-	b)

Remark:

a) TaiMed Biologics USA Corp. (TMB USA) was incorporated on October 11, 2007 in the United States. It is engaged mainly in supporting clinical trials of new drug in the United States of America.

b) TaiMed Biologics HK Limited and TMB HK Services Limited were both incorporated on September 28, 2012 in the Hong Kong. They are engaged mainly in reinvesting and supporting clinical trials of new drugs in mainland China.

c) Except for TaiMed Biologics HK Limited and TMB HK Services Limited, investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes the financial statements of TaiMed Biologics HK Limited and TMB HK Services Limited that have not been audited do not have material impact on the investments and share of profit or loss and other comprehensive income accounted for by equity method.

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

f. Property, plant, and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation.

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

g. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

An intangible asset in untapped status not yet available for use is not subject to amortization. The Group tests intangible assets for impairment under IAS 36, Impairment of Assets.

2) Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, which are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

h. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Loans and receivables (including notes receivable, other receivables, other financial assets - current and cash) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as notes receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

For financial assets measured at amortized cost, 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of notes receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a notes receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible notes receivable and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

j. Revenue recognition

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Subsidy obtained from the sponsor is recognized as subsidy revenue, according to the progress of the completion of the project plan.

k. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

l. Share-based payment arrangements

1) Equity-settled share-based payment arrangements and employee share options granted to employee

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grate date when the share options granted vest immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

2) Equity-settled share-based payment arrangement granted to technology transfer companies and consultants and equity-settled share-based payment transactions with parties other than employees are measured at the fair value of patent received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

m. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Externally-acquired new drug research and development technology

Acquired research and development plans in untapped status not yet available for use is not subject to amortization. At the end of each year, the Group compares the carrying amounts with the recoverable amount of those intangible assets to determine whether there is any indication that those assets have suffered an impairment loss under IAS 36, Impairment of Assets. As of December 31, 2013, December 31, 2012, and January 1, 2012, the carrying amount of those externally-acquired intangible assets was $334,834 thousand, $334,795 thousand, and $334,857 thousand, respectively. As of December 31, 2013, there was no indication of impairment.

b. Income taxes

As of December 31, 2013, December 31, 2012, and January 1, 2012, the carrying amount of deferred tax assets in relation to unused tax losses was $244,179 thousand, $209,632 thousand, and $177,143 thousand, respectively. No deferred tax asset has been recognized on tax losses due to the unpredictability of future profit streams.

6. CASH

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 50	$ 50	$ 50
Checking accounts and demand deposits	68,581	73,121	70,579
	$ 68,631	$ 73,171	$ 70,629

7. OTHER FINANCIAL ASSETS - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Other financial assets - current			
Time deposits with original maturity more than 3 months	$ 269,500	$ 436,100	$ 553,700
Pledge deposits	9,745	733	757
	$ 279,245	$ 436,833	$ 554,457

The market interest rates of the time deposits with original maturity more than 3 months were 1.115%-1.345%, 1.115% and 1.115% per annum respectively as of December 31, 2013, December 31, 2012 and January 1, 2012.

8. PROPERTY, PLANT AND EQUIPMENT

	Instrument Equipment	Furniture and Office Equipment	Leasehold Improvements	Property in Construction	Total
Cost					
Balance at January 1, 2012	$ 2,987	$ 2,187	$ 3,881	$ -	$ 9,055
Additions	-	424	1,671	-	2,095
Disposals	-	-	-	-	-
Effect of foreign currency exchange differences	-	(53)	-	-	(53)
Balance at December 31, 2012	$ 2,987	$ 2,558	$ 5,552	$ -	$ 11,097

(Continued)

	Instrument Equipment	Furniture and Office Equipment	Leasehold Improvements	Property in Construction	Total
Accumulated depreciation					
Balance at January 1, 2012	$ 1,254	$ 1,746	$ 1,800	$ -	$ 4,800
Disposals	-	-	-	-	-
Depreciation expense	427	248	829	-	1,504
Effect of foreign currency exchange differences	-	(50)	-	-	(50)
Balance at December 31, 2012	$ 1,681	$ 1,944	$ 2,629	$ -	$ 6,254
Carrying amounts at January 1, 2012	$ 1,733	$ 441	$ 2,081	$ -	$ 4,255
Carrying amounts at December 31, 2012	$ 1,306	$ 614	$ 2,923	$ -	$ 4,843
Cost					
Balance at January 1, 2013	$ 2,987	$ 2,558	$ 5,552	$ -	$ 11,097
Additions	-	-	-	1,626	1,626
Disposals	-	-	5,252	-	5,252
Effect of foreign currency exchange differences	-	34	-	-	34
Balance at December 31, 2013	$ 2,987	$ 2,592	$ 300	$ 1,626	$ 7,505
Accumulated depreciation					
Balance at January 1, 2013	$ 1,681	$ 1,944	$ 2,629	$ -	$ 6,254
Depreciation expense	-	-	3,555	-	3,555
Effect of foreign currency exchange differences	426	250	926	-	1,602
	-	33	-	-	33
Balance at December 31, 2013	$ 2,107	$ 2,227	$ -	$ -	$ 4,334
Carrying amounts at December 31, 2013	$ 880	$ 365	$ 300	$ 1,626	$ 3,171

(Concluded)

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Instrument equipment	6 years
Furniture and office equipment	5 years
Leasehold improvements	5 years

9. INTANGIBLE ASSETS

	TMB-355	PI and INI	Fusion Protein Approach	Total
Cost				
Balance at January 1, 2012	$ 325,950	$ 7,394	$ 1,513	$ 334,857
Effect of foreign currency exchange differences	-	-	(62)	(62)
Balance at December 31, 2012	325,950	7,394	1,451	334,795
Effect of foreign currency exchange difference	-	-	39	39
Balance at December 31, 2013	$ 325,950	$ 7,394	$ 1,490	$ 334,834

Intangible assets are the acquisition cost of the exclusive rights of new drugs (refer to Note 22). As of December 31, 2013, intangible assets were in untapped status not yet available for use. The Group tests for impairment annually. As of December 31, 2013, there was no indication of impairment.

10. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Deferred service charges	$ 21,156	$ 21,156	$ 21,156
Excess VAT paid	2,426	1,710	1,455
Prepayments	1,605	1,528	1,402
	$ 25,187	$ 24,394	$ 24,013
Non-current			
Deferred service charges	$ -	$ 21,157	$ 42,313
Refundable deposits	2,010	965	757
Prepayments for equipment	423	-	-
	$ 2,433	$ 22,122	$ 43,070

Deferred service charges are the deferred compensation cost for the services provided by professionals, which are amortized on a straight-line basis over their estimated period of service according to employment agreements.

11. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Clinical trial expenses	$ 47,560	$ 7,891	$ 5,919
Personnel expenses	2,713	2,768	6,532
Professional fees	1,519	1,737	1,738
Consulting fees	365	424	209
Others	4,527	750	414
	$ 56,684	$ 13,570	$ 14,812

12. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Company of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in America Land are members of a state-managed retirement benefit plan operated by the government of America Land. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

13. EQUITY

a. Ordinary shares

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	220,000	220,000	220,000
Shares authorized	$ 2,200,000	$ 2,200,000	$ 2,200,000
Number of shares issued and fully paid (in thousands)	194,172	193,765	193,060
Shares issued	$ 1,941,720	$ 1,937,650	$ 1,930,600

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

A total of 20,600 thousand shares of the Company's shares authorized were reserved for the issuance of employee share options.

b. Issuance of common stock for technology

The Company issued common stock in exchange for exclusive technology in developing new drugs and for management services:

Grant Date	Record Date	Entitled Holder	Acquisition of Exclusive Technology or Service	Shares of Common Stock Issued (In Thousands)	Amount of Common Stock Issued (In Thousands)
2009.3.26	2009.5.31	Academia Sinica	Exclusive rights of Tamiphosphor	150	$ 1,500
2009.3.26	2009.12.30	Genentech Inc.	Exclusive rights of TMB-355	15,260	152,600
2009.5.26	2009.8.31	David Ho (chief founder)	New drug R&D expertise and administrative service	10,000	100,000
2009.11.23	2009.12.30	James Chang (CEO)	New drug R&D expertise and administrative service	1,650	16,500

Issuances of common stock above were approved by the authorities and were registered with the MOFA.

c. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Share premium	$ 1,616	$ -	$ -
Employee share options	46,645	28,479	13,477
	$ 48,261	$ 28,479	$ 13,477

A reconciliation of the carrying amount at the beginning and at the end of three months end 2013 and 2012, for each class of capital surplus was as follows:

	Share Premium	Employee Share Options
Balance at January 1, 2012	$ -	$ 13,477
Vested employee share options	-	15,002
Balance at December 31, 2012	-	28,479
Vested employee share options	-	19,782
Exercise of employee share options	1,616	(1,616)
Balance at December 31, 2013	$ 1,616	$ 46,645

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus from employee share options may not be used for any purpose.

d. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that every year, 10% of net income less any accumulated deficit should be appropriated as legal reserve. In addition, appropriation for special capital reserve shall be made in accordance with relevant laws or regulations or as requested by the authorities in charge. Any remaining annual net income plus accumulated undistributed earnings of the prior years are distributable earnings. Except for the appropriation for the next year's operations, the board of directors should make a proposal on the appropriation of distributable earnings to stockholders' meeting for resolution as follows:

1) Remuneration to directors and supervisors not more than 2%;
2) Bonus to employees not more than 1%;
3) The remainder, as dividends.

The board of directors may issue stock bonuses to employees of an affiliated company meeting the conditions set by the board of directors or, by the person duly authorized by the board of directors.

The Company's dividend policy set by the board of directors was based on the operating scale, investment plan, capital expenditure schedule, and internal and external environment.

In principle, cash dividends are limited up to 50% of total dividends distributed. To ensure the Company has adequate cash for its present and future expansion plans, adjustment of this percentage may be approved by the stockholders depending on the cash flows, net income and the need for future expansion.

For the years ended December 31, 2013 and 2012, the bonus to employees and the remuneration to directors and supervisors were both zero since the Company had no distributable earnings in 2013 and 2012.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of shareholders' other equity items (including exchange differences on translating foreign operations) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. The Rule did not have effect since the Company did not adopt the exemptions stated above.

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

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

e. Others equity items-Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2013	**2012**
Balance at January 1	$ (12,951)	$ (10,312)
Exchange differences arising on translating the foreign operations	1,620	(2,639)
Balance at December 31	$ (11,331)	$ (12,951)

14. LOSS BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2013	**2012**
Subsidy revenue	$ 3,434	$ 31,359
Interest income	4,078	5,538
Others	51	-
	$ 7,563	$ 36,897

b. Other gains and losses

	For the Year Ended December 31	
	2013	**2012**
Net foreign exchange gains (losses)	$ (86)	$ 169
Loss on disposal of property, plant and equipment	(1,697)	-
	$ (1,783)	$ 169

c. Depreciation

	For the Year Ended December 31	
	2013	**2012**
Operating expenses		
Property, plant and equipment	$ 1,602	$ 1,504

d. Employee benefits expense

	For the Year Ended December 31	
	2013	2012
Operating expenses		
Defined contribution plans	$ 4,221	$ 4,154
Share-based payments	23,028	18,248
Short-term benefits	65,287	64,080
	$ 92,536	$ 86,482

15. INCOME TAX

a. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Accumulated deficit generated on and after January 1, 1998	$ (1,320,925)	$ (1,069,248)	$ (901,407)

As of December 31, 2013, December 31, 2012 and January 1, 2012, there were no imputation credits which can be allocated to the shareholders. The Company had no distributable earnings in 2013 and 2012.

b. Income tax assessments

The tax returns through 2011 have been assessed by the tax authorities.

16. NET LOSS PER SHARE

	For the Year Ended December 31	
	2013	2012
Basic net loss per share	$ (1.30)	$ (0.87)

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

Net loss for the year

	For the Year Ended December 31	
	2013	2012
Net loss used in the computation of net loss per share	$ (251,677)	$ (167,841)

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2013	2012
Weighted average number of ordinary shares in computation of net loss per share	194,001	193,143

Diluted net loss per share is the same as basic net loss per share in 2013 and 2012 because employee share options were anti-dilutive due to the net loss.

17. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share options

In December 2009, 3,035 thousand options were granted to qualified employees of the Company. Each option entitles the holder to subscribe for one common share of the Company when exercisable. The options granted are valid for 7 years and exercisable at certain percentages after the second anniversary year from the grant date:

Type A		Type B	
Options Granted Period	**Exercisable Percentage**	**Options Granted Period**	**Exercisable Percentage**
The expiry of two years	25%	The expiry of two years	50%
The expiry of three years	50%	The expiry of three years	75%
The expiry of four years	75%	The expiry of four years	100%
The expiry of five years	100%		

Qualified employees of the Company and its subsidiaries were granted 1,935 options in December 2012 and 1,500 options in December 2011. Each option entitles the holder to subscribe for one common share of the Company when exercisable. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary year from the grant date:

Options Granted Period	Exercisable Percentage
The expiry of two years	50%
The expiry of three years	75%
The expiry of four years	100%

For any subsequent changes in the Company's paid-in capital, the exercise price and number of options are adjusted accordingly.

Information about employee share options granted in 2013 and 2012 was as follows:

	2013		2012	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance, beginning of year	5,745	$28.07	4,515	$17.74
Options granted	-	-	1,935	45.60
Options exercised	407	10.00	705	10.00
Options forfeited	308	38.33	-	-
Balance, end of year	5,030	28.91	5,745	28.07
Options exercisable, end of year	2,108	16.52	1,055	10.00

The weighted-average share prices at the date of exercise of share options for the year ended December 31, 2013 and 2012 were NT$71.74 and NT$48.43.

Information about outstanding options as of December 31, 2013 and 2012 was as follows:

	December 31			
	2013		2012	
	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
Granted in 2012	$ 45.6	9 years	$ 45.6	10 years
Granted in 2011	33.3	8 years	33.3	9 years
Granted in 2009	10.0	2 years 11 months	10.0	3 years 11 months

Options granted during the years ended December 31, 2013 and 2012 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Granted in 2012	Granted in 2011	Granted in 2009
Grant-date share price (NT$)	$ 47.04	$ 38.4	$ 20.64
Exercise price (NT$)	$ 45.6	$ 33.3	$ 10.0
Expected volatility	50%	36%	54%
Expected life (years)	7 years	5 years	5 years
Expected dividend yield	-	-	-
Risk-free interest rate	1.02%	0.62%	1.00%

Compensation costs of employee share options above were $19,782 and $15,002 thousand in 2013 and 2012.

18. CAPITAL MANAGEMENT

The Group needs funds to deal with new drugs development and sale. The Group manages its capital to ensure that entities in the Group will be able to meet the demand of capital expenditures, research and development expenses and others for the next 12 months.

The Group is not subject to any externally imposed capital requirements.

19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

Financial instruments held by the Group which were not carried at fair value are stated at amounts that approximate fair value; management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Loans and receivables (1)	$ 349,093	$ 512,009	$ 641,311
Financial liabilities			
Amortized cost (2)	53,971	10,802	8,280

1) The balances included loans and receivables measured at amortized cost, which comprise cash, notes receivables, other receivables and other financial assets.

2) The balances included financial liabilities measured at amortized cost, which comprise other payables.

c. Financial risk management objectives and policies

The Group's major financial instruments include receivables and payables. The Group aims to manage the market risks relating to the operations of the Group to achieve financial risk management objectives. These risks include market risk (including currency risk), interest rate risk, credit risk and liquidity risk. The Group seeks to minimize the effects of these risks by identifying, evaluating and hedging the uncertainties.

The Group's major financial activities are reviewed by the board of directors according to the policies and internal control programs. The Group complies with the whole financial operating procedures of financial risk management and division of responsibility in the period of executing financial plans.

1) Foreign currency risk

The Group had foreign currency transactions, which exposed the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are as below.

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Assets</u>			
US dollars	$ 469	$ 454	$ 15,542
<u>Liabilities</u>			
US dollars	47,529	7,053	5,823

<u>Sensitivity analysis</u>

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

The following table details the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars against the foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollars strengthen 5% against the relevant currency.

U.S. dollars impact	
For the Year Ended December 31	
2013	2012
$ 2,353	$ 330

This was mainly attributable to the exposure outstanding on U.S. dollars cash, receivables, payables and other financial assets which were not hedged at the end of the reporting period.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could equal the amount of time deposits. The counterparties to the foregoing financial instruments are reputable financial institutions. Management does not expect the Group's exposure to default by those parties to be material.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash, cash equivalents and high-liquidity securities deemed adequate to ensure the Group's financial flexibility.

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

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing	$ 33,390	$ 22,225	$ 1,069	$ -	$ -

December 31, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing	$ 11,952	$ 714	$ 904	$ -	$ -

January 1, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing	$ 13,689	$ 517	$ 404	$ 202	$ -

4) Interest rate risk

The Group is exposed to interest rate risk due to demand deposits and time deposits at floating interest rates. The changes in market rates will change the effective interest rate of financial instruments and may result in fluctuations in future cash flows.

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value interest rate risk			
Financial assets	$ 269,500	$ 436,100	$ 553,700
Cash flow interest rate risk			
Financial assets	78,316	73,854	71,336

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2013 and 2012 would decrease/increase by $783 thousand and $739 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate cash in bank.

20. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

	For the Year Ended December 31	
	2013	2012
Professional fees		
Others	$ -	$ 180
Subsidy revenue		
Others	-	31,359

The following balance of notes receivables from related parties were outstanding at the end of the reporting period:

	December 31, 2013	December 31, 2012	January 1, 2012
Others	$ -	$ -	$ 14,703

Related parties and their relationships with the Group

Related Party	Relationship with the Group
OBI Pharma, Inc. (original name Optimer Biotechnology Inc.)	Related party in substance
Aaron Diamond AIDS Research Center (ADARC)	Related party in substance

All the terms and conditions of above transactions conformed to normal business practice.

b. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 22,475	$ 24,613
Post-employment benefits	647	734
Share-based payments	8,451	6,982
	$ 31,573	$ 32,329

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

21. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Group provided certain assets as collateral mainly for bank credit line.

	December 31, 2013	December 31, 2012	January 1, 2012
Pledge deposits (classified as other financial assets - current)	$ 9,745	$ 733	$ 757

22. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

a. Acquisition of new drugs' exclusive rights and commitments

Items	Holders	Exclusive License Agreements	First License Fees	License Fees and Other Commitments Per Milestone
1	Genentech Inc. (America)	TMB-355 Ibalizumab (intravenous injection formulation)	US$10,000 thousand	1) US$5,000-US$10,000 thousand per milestone 2) Sales sharing expenditure is based on a particular percentage of sales
2	Genentech Inc. (America)	TMB-355 Ibalizumab (subcutaneous injection treatment formulation)	Combined with Item 1	Combined with Item 1
3	Genentech Inc. (America)	TMB-355 Ibalizumab (subcutaneous injection prevention formulation)	Combined with Item 1	Combined with Item 1
4	Biogen Inc. (America)	Anti-CD4 monoclonal antibodies	-	1) US$100-US$3,000 thousand per milestone 2) Sales sharing expenditure is based on a particular percentage of sales

(Continued)

Items	Holders	Exclusive License Agreements	First License Fees	License Fees and Other Commitments Per Milestone
5	Academia Sinica	Tamiphosphor	US$100 thousand	1) US$200-US$3,000 thousand per milestone 2) Sales sharing expenditure is based on particular percentage of sales 3) Transferred license sharing expenditure is based on a particular percentage of each milestone licensed amount
6	Rockefeller University (America)	Fusion Protein Approach	US$50 thousand	1) Patent maintenance expenditure increases annually from $20 thousand to $80 thousand 2) US$200-US$2,000 thousand per milestone 3) Sales sharing expenditure is based on particular percentage of sales 4) Transferred license sharing expenditure is based on a particular percentage of each milestone licensed amount
7	Ambrilia Biopharma Inc. (Canada)	Protease Inhibitor	US$250 thousand	1) US$100-US$4,000 thousand per milestone 2) Sales sharing expenditure is based on particular percentage of sales 3) Transferred license sharing expenditure is based on a particular percentage of each milestone licensed amount
8	Ambrilia Biopharma Inc. (Canada)	Integrase Inhibitor	Combined with Item 7	1) US$100-US$2,000 thousand per milestone 2) Sales sharing expenditure is based on a particular percentage of sales 3) Transferred license sharing expenditure is based on a particular percentage of each milestone licensed amount

(Concluded)

Items 1-4 TMB-355 exclusive license agreement

On September 11, 2007, the Company entered an Exclusive License Agreement for Anti-CD4 Antibody with Genentech, a corporation organized under the laws of the United States of America. Under the terms of the exclusive agreement, the Company obtained the exclusive rights to develop and commercialize TMB-355 and other anti-CD4 monoclonal antibodies in the treatment of human immunodeficiency virus ("HIV") infection and all other human diseases. Because Genentech also signed an Exclusive License Agreement for Anti-CD4 monoclonal antibodies with Biogen Inc., a corporation organized under the laws of the United States of America, the Company accepted the agreement between Genentech Inc. and Biogen Inc. In consideration for the access to Tanox Patent Right and Tanox Know-How controlled by Genentech as of the effective date, the Company made a one-time payment of US$5,000 thousand in 2007 and granted Genentech the number of shares corresponding to US$5,000 thousand (equivalent to NT$152,600 thousand) in 2009 (refer to Notes 9 and 13). However, changes in regulatory requirements and guidance occurred in 2008 and resulted in the delay of TMB-355 Ibalizumab development schedule. To amend clinical trial protocols to reflect these changes, the Company and Genentech agreed to amend the agreement on November 11, 2008 as follows:

1) The Company shall file a Drug Approval Application for an HIV/AIDS indication in the United States of America covering a licensed product containing the molecule known as TMB-355 by December 31, 2014 instead of by December 31, 2011; or

2) The Company shall file an NDA to the U.S. Food and Drug Administration ("FDA"), covering a product other than the TMB-355 product or with a reformulation of TMB-355 (each of the foregoing, a "Back-Up Product") by December 31, 2020 as well as meeting several clinical trial related interim milestones between 2011 and 2017. The Back-Up Product may be the new version of TMB-355 Ibalizumab applicable to different diseases, or a new formulation of TMB-355 such as for subcutaneous injection. If the Company delayed in meeting any of the foregoing milestones and such delay is not caused by unforeseeable occurrence outside the Company's control, Genentech could terminate this Agreement.

Item 5 exclusive license agreement for Tamiphosphor

On December 10, 2008, the Company signed an Exclusive License Agreement for Tamiphosphor with Academia Sinica. The Company has paid license fee in consideration for development and commercialization rights for Tamiphosphor and its derivatives. On the signing date, the Company had paid license fee of US$50 thousand, and in 2009, the Company granted Academia Sinica the number of shares corresponding to US$50 thousand (equivalent to NT$1,500 thousand) for technology (refer to Note 13).

Item 6 fusion protein approach

TMB USA signed "Fusion Protein Approach Exclusive License Agreement" with Rockefeller University on April 20, 2011, which will be used in researching and developing TMB-355 Ibalizumab second generation.

Items 7-8 exclusive license agreement for PI and INI

On March 10, 2011, the Company signed Exclusive License and Assignment Agreements with Ambrilia Biopharma Inc. ("Ambrilia"), a corporation organized under the laws of Canada. Under the terms of the exclusive agreement, the Company obtained the exclusive rights of certain protease inhibitors (PIs) and integrase inhibitors (INIs) owned by Ambrilia. The Company could develop and commercialize certain novel products based on certain inhibitors covered by the Ambrilia technology, including without limitation, PI and INI.

b. Clinical research organization (CRO)

In October 2010, the Company entered into an agreement with Westat, Inc. to conduct and monitor phase I clinical trial for the subcutaneous injection formulation of TMB-355. Under the terms of the agreement, both parties agreed the payment is US$1,300 thousand. As of December 31, 2012 and January 1, 2012, the Company has paid US$1,257 thousand and US$1,059 thousand, respectively.

In January 2013, the Company entered into an agreement with Westat, Inc. to conduct and monitor phase II clinical trial for the subcutaneous injection formulation of TMB-355. Under the terms of the agreement, both parties agreed the payment is US$130 thousand. As of December 31, 2013, the Company has paid US$96 thousand.

In December 2012, the Company entered into an agreement with Protech Pharma Services Corporation ("PPC") to conduct and monitor phase I/II clinical trial for the subcutaneous injection formulation of TMB-355. Under the terms of the agreement, both parties agreed the payment is US$5,714 thousand.

As of December 31, 2013, the Company has paid US$3,555 thousand.

In October 2012, the Company entered into an agreement with A+INC to conduct and monitor phase I/II clinical trial for the subcutaneous injection formulation of TMB-355. Under the terms of the agreement, both parties agreed the payment is US$5,929 thousand. As of December 31, 2013, the Company has paid US$3,230 thousand.

c. Contract manufacturing organization (CMO)

On July 17, 2012, the Company authorized WuXi Apptec to produce TMB-355 Ibalizumab, which will be used for clinical trial. On December 12, 2013, the Company revised and augmented the contents of CMO.

As of December 31, 2013 and 2012, the Company had paid US$3,379 thousand and US$943 thousand, respectively. Expected payment in the future is around US$7,853 thousand.

d. Clinical trial agreement with ADARC

1) The Company cooperated with ADARC-AIDS research institution for clinical trial and research and development of new drug for AIDS prevention, and obtained subsidy revenue (as of December 31, 2012, all of subsidy revenue has been obtained). This subsidy plan requires that after TMB-355 Ibalizumab AIDS prevention new drug obtains marketing approval, main sponsor Bill &Melinda Gates Foundation of ADARC has the right to buy and market drugs at cost to the Third World countries to prevent AIDS, and the Company owns the profits of other countries.

2) ADARC obtained three-year period R&D subsidy revenue of US$12,100 thousand to conduct R&D of TMB-355 second generation prior to clinical trial. TMB USA owns this R&D result and the subsidiaries' R&D expenses will be deducted.

3) In October 2011, TMB USA signed clinical trial agreement with DAIDS of NIH to conduct and monitor Phase I/II clinical trial for the subcutaneous injection formulation of TMB-355. Clinical trial's expense was about US$4,000 thousand. The Group owns this R&D result and the Group's R&D expenses will be deducted.

e. Operating lease arrangements

Operating leases relate to leases of office and building with lease terms between 2 and 5 years. The Group paid rentals on a monthly basis.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	$ 5,290	$ 4,633	$ 4,262
Later than 1 year and not later than 5 years	18,934	1,775	4,216
	$ 24,224	$ 6,408	$ 8,478

f. Contingent liabilities

On July 18, 2013, the Group received an indictment from the court on a lawsuit filed by Clinlogix on July 3, 2013, which demands payment from the Group of additional US$316 thousand for service fee and overdue fine in phase 2b clinical trial for the intravenous injection formulation of TMB-355. The Company had notified Clinlogix that all payments had been made according to the contract. The Company has engaged a lawyer and believes, based on assessment of disbursement possibility, that there will be no significant impact on the Company's finance and business.

23. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On December 12, 2013, the Company's board of directors resolved to issue 22,100 thousand ordinary shares, with a par value of NT$10 each. On December 31, 2013, the above transaction was approved by the FSC. On January 10, 2014, the Company's board of directors determined the subscription base date is February 14, 2014, the issue price is NT$63 per share, or an aggregate amount of NT$1,392,300 thousand.

Qualified employees of the Company and its subsidiaries were approved in December 2012 and granted 1,642 options in January 2014. Each option entitles the holder to subscribe for one common share of the Company when exercisable. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary year from the grant date:

Options Granted Period	Exercisable Percentage
The expiry of two years	50%
The expiry of three years	75%
The expiry of four years	100%

For any subsequent changes in the Company's paid-in capital, the exercise price and number of options are adjusted accordingly.

On March 12, 2014, the Company's board of directors resolved to stop development of Tamiphosphor in agreement with Academia Sinica because in the process of research the estimated yield rate of drug manufacturing cannot achieve the objectives and the board of directors considered the Company should focus on development of new drug for AIDS.

24. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2013

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
U.S. dollars	$ 16	29.805	$ 469
Financial liabilities			
Monetary items			
U.S. dollars	1,595	29.805	47,529

December 31, 2012

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
U.S. dollars	$ 16	29.04	$ 454
Financial liabilities			
Monetary items			
U.S. dollars	243	29.04	7,053

January 1, 2012

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
U.S. dollars	$ 513	30.275	$ 15,542
Financial liabilities			
Monetary items			
U.S. dollars	192	30.275	5,823

25. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None

2) Endorsements/guarantees provided: None

3) Marketable securities held: None

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

9) Trading in derivative instruments: None

10) Intercompany relationships and significant intercompany transactions: Table 1

11) Information on investees: Table 2

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: None

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

26. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group engages in developing and commercializing new drug, which constitute a single business. The measurement basis of the information provided to the chief operating decision maker is the same as the financial statement, so the consolidated statement for the years ended December 31, 2013 and 2012 can be compared with reportable segment revenue and operation outcome for that period. Additional, the measured amounts of operating segment assets were not regularly reviewed by the Group's chief operating decision maker, so the reportable amount is zero.

27. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

After transition to IFRSs, the impact on the Group's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

	ROC GAAP	Impact of Transition to IFRSs	IFRSs	Note
Assets				
Cash	$ 624,329	$ (553,700)	$ 70,629	a)
Pledged certificates of deposits/other financial assets - current	757	553,700	554,457	a)
Other intangible asset	141,741	193,116	334,857	d)

(Continued)

	ROC GAAP	Impact of Transition to IFRSs	IFRSs	Note
Deferred service charges	$ 42,313	$ (42,313)	$ -	c)
Refundable deposits/other non-current assets	757	42,313	43,070	c)
Equity				
Capital surplus	-	13,477	13,477	b)
Accumulated deficit during development stage/ accumulated deficits	(1,081,046)	179,639	(901,407)	b), d)

(Concluded)

2) Reconciliation of consolidated balance sheet as of December 31, 2012

	ROC GAAP	Impact of Transition to IFRSs	IFRSs	Note
Assets				
Cash	$ 509,271	$ (436,100)	$ 73,171	a)
Pledged certificates of deposits/other financial assets - current	733	436,100	436,883	a)
Other intangible asset	96,078	238,717	334,795	d)
Deferred service charges	21,157	(21,157)	-	c)
Refundable deposits/other non-current assets	965	21,157	22,122	c)
Equity				
Capital surplus	8,796	19,683	28,479	b)
Accumulated deficit during development stage/ Accumulated deficits	(1,288,344)	219,096	(1,069,248)	b), d)
Cumulative transaction adjustments/exchange differences on translating foreign operations	(12,889)	(62)	(12,951)	d)

3) Reconciliation of consolidated statement of income for the year ended December 31, 2012

	ROC GAAP	Impact of Transition to IFRSs	IFRSs	Note
Operating expenses	$ 244,364	$ (39,457)	$ 204,907	b), d)
Other comprehensive income				
Exchange differences on translating foreign operations			(2,639)	-

4) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs, January 1, 2012; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Group adopted are summarized as follows:

Share-based payment transactions

The Group elected to take the optional exemption from applying IFRS 2 "Share-based Payment" retrospectively for the shared-based payment transactions granted and vested before the date of transition.

5) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the accounting policies under ROC GAAP and the accounting policies adopted under IFRSs were as follows:

a) Certificates of deposits with over-three-month maturity period

Under ROC GAAP, cash is cash on hand, demand deposits, checking deposits, certificates of deposits that are cancellable without any loss of principal and negotiable certificates of deposits that are readily saleable without any loss of principal. Under IFRSs, cash is investments that can be transferred to cash at any time with immaterial risk on value. Thus, certificates of deposits with maturity of over three months from the date of acquisition will be separated from cash and classified as other financial assets.

As of December 31, 2012 and January 1, 2012, the Group increased other investments by $436,100 thousand and $553,700 thousand.

b) Share-based payment

Under ROC GAAP, employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for in accordance with the interpretation issued by the ARDF. The Group elected to use intrinsic value method to measure the stock options granted. In addition, the Group's shares listed on the Emerging Stock Market which were issued for employee stock options granted between January 1, 2008 and December 31, 2009 were accounted for by intrinsic value method in accordance with the rules issued by the FSC.

Under IFRS 2 "Share-based Payment", the Group is required to apply fair value method to measure employee stock options unless, in a particular situation, fair values cannot be reliably measured.

As of December 31, 2012 and January 1, 2012, the Group applied IFRS 2 "Share-based Payment" and increased additional paid in capital by $19,683 thousand and $13,477 thousand, respectively. The Group also decreased retained earnings of 2011 by $13,477 thousand and increased salary expenses of 2012 by $6,206 thousand.

c) Classification of deferred charges

Under ROC GAAP, deferred charges are classified under other assets. Under IFRSs, deferred charges are classified under long-term prepaid expenses according to the nature.

As of December 31, 2012 and January 1, 2012, the Group reclassified $21,157 thousand and $42,313 thousand of deferred charges to long-term prepaid expenses, respectively.

d) Intangible asset

Under ROC GAAP, royalty is amortized on a straight-line basis over the contract period or legal life of the patented technology used in new drug research and development.

Under IAS 38, "Intangible Asset", after adoption of IFRSs, an uncompleted technology in process acquired separately is recognized as an intangible asset since it will continue to be developed until completed. An intangible asset in untapped status not yet available for use is not subject to amortization. The Group, at least annually, should test intangible assets for impairment under IAS 36, Impairment of Assets. If the cost recognized for the asset exceeds its recoverable amount, the Group recognizes an impairment loss accordingly.

As of December 31, 2012 and January 1, 2012, the Group applied IFRS 38, "Intangible Asset", and increased intangible assets by $238,717 thousand and $193,116 thousand, respectively. Moreover, the Group increased retained earnings of 2011 by $193,116 thousand, and decreased amortization expense and translation adjustments of 2012 by $45,663 thousand and $62 thousand, respectively.

6) Explanation of material adjustments to the statement of cash flows

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7" Statement of Cash Flow", cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests received by the Group of $5,614 thousand, for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

Time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash in accordance with ROC GAAP. However, under IAS 7" Statement of Cash Flow", cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with a carrying amount of $436,100 thousand and $553,700 thousand as of December 31, 2012 and January 1, 2012, respectively, held by the Group was for investment purposes and thus no longer classified as cash under IFRSs.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs in the consolidated statement of cash flows.

TABLE 1

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2013
(Amounts In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note A)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	TaiMed Biologics Inc.	TaiMed Biologics USA Corp.	1	Services expense	$ 53,582	Note B	-
1	TaiMed Biologics USA Corp.	TaiMed Biologics Inc.	2	Services revenue	53,582	Note B	-

Note A: No. 1 represents the transactions from parent company to subsidiary.
No. 2 represents the transactions from subsidiary to parent company.
No. 3 represents the transactions between subsidiaries.

Note B: Prices and terms are determined in accordance with mutual agreements.

Note C: All the transactions above have been eliminated from the consolidation.

TABLE 2

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note B)		As of December 31, 2013			Net Income (Gross) of the Investee (Note A)	Share of Profits (Loss) (Note A)	Note
				December 31, 2013	December 31, 2012	Shares	%	Carrying Value			
TaiMed Biologics Inc.	TaiMed Biologics USA Corp.	18201 Von Karman Avenue Suite 470, Irvine, CA 92612, USA	Research and development	$ 295,044	$ 295,044	9,100,000	100.00	$ 60,077	$ (12,298)	$ (12,298)	Subsidiary
	TaiMed Biologics HK Limited	2/F, Jonsim Place, No. 228 Queen's Road East, Wanchai, Hong Kong	Investment	3	3	100	100.00	3	-	-	Subsidiary
	TMB HK Services Limited	2/F, Jonsim Place, No. 228 Queen's Road East, Wanchai, Hong Kong	Investment	-	-	1	100.00	-	-	-	Subsidiary

Note A: TaiMed Biologics USA Corp. was based on audited financial statements as of December 31, 2013, other were based on unaudited financial statements as of December 31, 2013.

Note B: The investment amounts were based on historical exchange rates.