

TaiMed Biologics Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2015 and 2014 and
Independent Auditors' Report**

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, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 Regulations Governing Auditing and Attestation 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, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, 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, 2015 and 2014 on which we have issued an unqualified report.



March 14, 2016

Notice to Readers

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

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,858,004	38	\$ 407,463	22
Other receivables (Note 4)	13,812	-	2,316	-
Other financial assets - current (Notes 4, 7 and 22)	2,697,021	55	1,114,891	59
Other current assets (Note 11)	<u>6,921</u>	-	<u>5,203</u>	-
Total current assets	<u>4,575,758</u>	<u>93</u>	<u>1,529,873</u>	<u>81</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4 and 9)	15,995	-	16,214	1
Intangible assets (Notes 4, 5 and 10)	333,344	7	333,344	18
Other non-current assets (Note 11)	<u>1,340</u>	-	<u>1,265</u>	-
Total non-current assets	<u>350,679</u>	<u>7</u>	<u>350,823</u>	<u>19</u>
TOTAL	<u>\$ 4,926,437</u>	<u>100</u>	<u>\$ 1,880,696</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payables (Notes 4 and 12)	\$ 26,153	1	\$ 49,960	3
Other current liabilities	<u>479</u>	-	<u>389</u>	-
Total current liabilities	<u>26,632</u>	<u>1</u>	<u>50,349</u>	<u>3</u>
Total liabilities	<u>26,632</u>	<u>1</u>	<u>50,349</u>	<u>3</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Common shares	2,472,930	50	2,165,770	115
Capital surplus	4,505,176	91	1,274,857	68
Accumulated deficits	(2,074,340)	(42)	(1,602,660)	(85)
Other equity				
Exchange differences on translating foreign operations	<u>(3,961)</u>	-	<u>(7,620)</u>	(1)
Total equity	<u>4,899,805</u>	<u>99</u>	<u>1,830,347</u>	<u>97</u>
TOTAL	<u>\$ 4,926,437</u>	<u>100</u>	<u>\$ 1,880,696</u>	<u>100</u>

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

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING EXPENSES (Note 15)				
General and administrative expenses	\$ (48,680)	-	\$ (45,733)	-
Research and development expenses	<u>(442,462)</u>	<u>-</u>	<u>(249,826)</u>	<u>-</u>
Total operating expenses	<u>(491,142)</u>	<u>-</u>	<u>(295,559)</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Other income (Note 15)	18,548	-	18,294	-
Other gains and losses (Note 15)	<u>914</u>	<u>-</u>	<u>(2,144)</u>	<u>-</u>
Total non-operating income and expenses	<u>19,462</u>	<u>-</u>	<u>16,150</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(471,680)	-	(279,409)	-
INCOME TAX EXPENSE (Notes 4, 5 and 16)	<u>-</u>	<u>-</u>	<u>(2,326)</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(471,680)</u>	<u>-</u>	<u>(281,735)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 14)	<u>3,659</u>	<u>-</u>	<u>3,711</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (468,021)</u>	<u>-</u>	<u>\$ (278,024)</u>	<u>-</u>
LOSS PER SHARE (Note 17)	<u>\$ (2.16)</u>		<u>\$ (1.32)</u>	

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

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

	Share Capital (Note 14)		Capital Surplus (Notes 4, 14 and 18)		Accumulated Deficits (Notes 14 and 16)	Exchange Differences on Translating Foreign Operations (Notes 4 and 14)	Total Equity
	Share (In Thousand)	Amount	Share Premium	Employee Share Options			
BALANCE AT JANUARY 1, 2014	194,172	\$ 1,941,720	\$ 1,616	\$ 46,645	\$ (1,320,925)	\$ (11,331)	\$ 657,725
Net loss for the year ended December 31, 2014	-	-	-	-	(281,735)	-	(281,735)
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	3,711	3,711
Issuance of ordinary shares for cash - NT\$63 per share, March 28, 2014	22,100	221,000	1,171,300	29,102	-	-	1,421,402
Share-based payment - vested employee share options	-	-	-	23,561	-	-	23,561
Share-based payment - exercised employee share options	305	3,050	35,419	(32,786)	-	-	5,683
BALANCE AT DECEMBER 31, 2014	216,577	2,165,770	1,208,335	66,522	(1,602,660)	(7,620)	1,830,347
Net loss for the year ended December 31, 2015	-	-	-	-	(471,680)	-	(471,680)
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	3,659	3,659
Issuance of ordinary shares for cash - NT\$115 per share, November 20, 2015	30,000	300,000	3,150,000	30,251	-	-	3,480,251
Share-based payment - vested employee share options	-	-	-	28,663	-	-	28,663
Share-based payment - exercised employee share options	716	7,160	61,786	(40,381)	-	-	28,565
BALANCE AT DECEMBER 31, 2015	247,293	\$ 2,472,930	\$ 4,420,121	\$ 85,055	\$ (2,074,340)	\$ (3,961)	\$ 4,899,805

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

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (471,680)	\$ (279,409)
Adjustments for:		
Depreciation expenses	3,432	2,192
Amortization - deferred service charges	-	21,156
Compensation cost of employee share options	58,914	52,663
Interest income	(12,681)	(10,719)
Loss on disposal of property, plant and equipment	-	62
Impairment loss recognized on intangible assets	-	1,493
Net loss (gain) on foreign currency exchange	-	305
Changes in operating assets and liabilities		
Other receivables	(11,440)	(432)
Other current assets	(1,718)	(1,172)
Other payables	(23,807)	(7,029)
Other current liabilities	<u>90</u>	<u>80</u>
Cash used in operations	(458,890)	(220,810)
Income tax paid	-	(2,326)
Interest received	<u>12,625</u>	<u>10,052</u>
Net cash used in operating activities	<u>(446,265)</u>	<u>(213,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other financial assets	(1,582,100)	(835,600)
Payments for property, plant and equipment	(3,213)	(15,112)
Proceeds from disposal of property, plant and equipment	-	238
Increase in refundable deposits	(75)	-
Decrease in refundable deposits	<u>-</u>	<u>745</u>
Net cash used in investing activities	<u>(1,585,388)</u>	<u>(849,729)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	3,450,000	1,392,300
Exercise of employee share options	<u>28,565</u>	<u>5,683</u>
Net cash generated from financing activities	<u>3,478,565</u>	<u>1,397,983</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>3,629</u>	<u>3,662</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,450,541	338,832
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>407,463</u>	<u>68,631</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,858,004</u>	<u>\$ 407,463</u>

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

TAIMED BIOLOGICS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands New Taiwan Dollars, Unless Stated Otherwise)

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, 2015.

The Company's shares had been traded on the Emerging Stock Market of Taipei Exchange from June 2010 to July 2015. Subsequently, in July 2015, the Company was approved to trade and have traded its shares on the Over-The-Counter Stock Market of Taipei Exchange since November 23, 2015.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 14, 2016.

3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group's accounting policies:

- 1) 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 previous standards. Please refer to Note 8 for related disclosures.

2) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

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

The Group retrospectively applied the above amendments starting in 2015. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations. The application of the above amendments did not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New IFRSs	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
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date 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.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

1) Annual Improvements to IFRSs: 2010-2012 Cycle

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.

2) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 and cash equivalents 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

See Note 8 and Table 2 for the detailed information of subsidiaries, including the percentage of ownership and main business.

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.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries operations 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. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction 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 on property, plant and equipment 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.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. 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.

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

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

i. 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, with the resulting impairment loss recognized in profit or loss.

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.

j. 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 other receivables, other financial assets - current and cash and equivalents) 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.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

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 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 other receivables, where the carrying amount is reduced through the use of an allowance account. When 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 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.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

k. 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.

l. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

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

m. Share-based payment arrangements

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

The fair value 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 the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting 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

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.

n. 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 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 information 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. There was no indication of impairment as of December 31, 2015.

b. Income taxes

As of December 31, 2015 and 2014, the carrying amount of deferred tax assets in relation to unused tax losses was \$380,602 thousand and \$297,508 thousand, respectively. No deferred tax asset has been recognized on tax losses due to the unpredictability of future profit streams.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2015	2014
Cash on hand	\$ 100	\$ 100
Checking accounts and demand deposits	893,904	84,363
Cash equivalents		
Time deposits with original maturity less than 3 months	<u>964,000</u>	<u>323,000</u>
	<u>\$ 1,858,004</u>	<u>\$ 407,463</u>

The market interest rates of the time deposits with original maturity less than 3 months at the end of the reporting period were as follows:

	<u>December 31</u>	
	2015	2014
Time deposits	0.17%-0.87%	0.33%-0.87%

7. OTHER FINANCIAL ASSETS - CURRENT

	December 31	
	2015	2014
Other financial assets - current		
Time deposits with original maturity more than 3 months	\$ 2,672,200	\$ 1,090,100
Pledge deposits (Note 22)	<u>24,821</u>	<u>24,791</u>
	<u>\$ 2,697,021</u>	<u>\$ 1,114,891</u>

The market interest rates of the time deposits with original maturity of more than 3 months were 0.37%-1.285% and 0.55%-1.345% per annum as of December 31, 2015 and 2014, respectively.

8. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

Investor	Investee	Main Business	% of Ownership		Remark
			December 31		
			2015	2014	
The Company	TaiMed Biologics USA Corp.	Research and development	100	100	a, c
	TaiMed Biologics HK Limited	Investment	100	100	b, c
	TMB HK Services Limited	Investment	100	100	b, c

Remark:

- a. TaiMed Biologics USA Corp. (TMB USA) was incorporated in October 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 in September 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.

9. PROPERTY, PLANT AND EQUIPMENT

	Instrument Equipment	Furniture and Office Equipment	Leasehold Improvements	Property in Construction	Total
<u>Cost</u>					
Balance at January 1, 2014	\$ 2,987	\$ 2,592	\$ 300	\$ 1,626	\$ 7,505
Additions	12,797	-	2,738	-	15,535
Disposals	-	-	(300)	-	(300)

(Continued)

	Instrument Equipment	Furniture and Office Equipment	Leasehold Improvements	Property in Construction	Total
Reclassification	\$ -	\$ -	\$ 1,626	\$ (1,626)	\$ -
Effect of foreign currency exchange differences	<u>-</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>79</u>
Balance at December 31, 2014	<u>\$ 15,784</u>	<u>\$ 2,671</u>	<u>\$ 4,364</u>	<u>\$ -</u>	<u>\$ 22,819</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2014	\$ 2,107	\$ 2,227	\$ -	\$ -	\$ 4,334
Disposal	-	-	-	-	-
Depreciation expense	1,270	125	797	-	2,192
Effect of foreign currency exchange differences	<u>-</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>79</u>
Balance at December 31, 2014	<u>\$ 3,377</u>	<u>\$ 2,431</u>	<u>\$ 797</u>	<u>\$ -</u>	<u>\$ 6,605</u>
Carrying amounts at December 31, 2014	<u>\$ 12,407</u>	<u>\$ 240</u>	<u>\$ 3,567</u>	<u>\$ -</u>	<u>\$ 16,214</u>
<u>Cost</u>					
Balance at January 1, 2015	\$ 15,784	\$ 2,671	\$ 4,364	\$ -	\$ 22,819
Additions	2,561	523	129	-	3,213
Effect of foreign currency exchange differences	<u>-</u>	<u>51</u>	<u>-</u>	<u>-</u>	<u>51</u>
Balance at December 31, 2015	<u>\$ 18,345</u>	<u>\$ 3,245</u>	<u>\$ 4,493</u>	<u>\$ -</u>	<u>\$ 26,083</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2015	\$ 3,377	\$ 2,431	\$ 797	\$ -	\$ 6,605
Depreciation expense	2,453	102	877	-	3,432
Effect of foreign currency exchange differences	<u>-</u>	<u>51</u>	<u>-</u>	<u>-</u>	<u>51</u>
Balance at December 31, 2015	<u>\$ 5,830</u>	<u>\$ 2,584</u>	<u>\$ 1,674</u>	<u>\$ -</u>	<u>\$ 10,088</u>
Carrying amounts at December 31, 2015	<u>\$ 12,515</u>	<u>\$ 661</u>	<u>\$ 2,819</u>	<u>\$ -</u>	<u>\$ 15,995</u>

(Concluded)

No impairment assessment was performed in 2015 and 2014 as there was no indication of impairment.

Depreciation expense is based 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

10. INTANGIBLE ASSETS

Intangible assets are the acquisition cost of the exclusive rights of new drugs (refer to Note 23). As of December 31, 2015, intangible assets were in untapped status not yet available for use.

At the end of each year, the Group compares carrying amount with the recoverable amount of those intangible assets to determine whether there is any indication of impairment. There was no indication of impairment as of December 31, 2015.

11. OTHER ASSETS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Current</u>		
Excess VAT paid	\$ 5,629	\$ 4,188
Prepayments	1,235	1,015
Temporary payments	<u>57</u>	<u>-</u>
	<u>\$ 6,921</u>	<u>\$ 5,203</u>
 <u>Non-current</u>		
Refundable deposits	<u>\$ 1,340</u>	<u>\$ 1,265</u>

12. OTHER PAYABLES

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Clinical trial expenses	\$ 17,872	\$ 41,546
Personnel expenses	3,241	3,041
Professional fees	1,405	3,075
Consulting fees	730	388
Others	<u>2,905</u>	<u>1,910</u>
	<u>\$ 26,153</u>	<u>\$ 49,960</u>

In July 2013, the Group received an indictment from the court on a lawsuit filed by Clinlogix, which demanded payment from the Group of US\$316 thousand for additional service fee and overdue fine in phase IIb clinical trial of the intravenous injection formulation of TMB-355.

The court judgment promulgated in October 2014 was against the Group. The Group accrued US\$375 thousand as a provision in October 2014 and was fully paid in January 2015. The case was closed.

13. 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.

14. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Number of shares authorized (in thousands)	<u>260,000</u>	<u>220,000</u>
Shares authorized	<u>\$ 2,600,000</u>	<u>\$ 2,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>247,293</u>	<u>216,577</u>
Shares issued	<u>\$ 2,472,930</u>	<u>\$ 2,165,770</u>

Ordinary shares change is mainly due to employees' exercise of their employee share options and issue for cash. 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.

The Company's board of directors resolved to issue 30,000 thousand ordinary shares, with a par value of NT\$10 each and determined the consideration of NT\$115 per share in November 2015, which increased the share capital issued and fully paid by \$3,450,000 thousand. The above transaction was approved by the TPEX, and the subscription base date was determined by the board of directors as November 20, 2015. Issue of ordinary shares for cash was registered with the MOEA in December 2015.

The Company's board of directors resolved to issue 22,100 thousand ordinary shares, with a par value of NT\$10 each in December 2013 and determined the consideration of NT\$63 per share in January 2014, which increased the share capital issued and fully paid by \$1,392,300 thousand. The above transaction was approved by the FSC, and the subscription base date was determined by the board of directors as March 28, 2014. Issue of ordinary shares for cash was registered with the MOEA in April 2014.

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 MOEA.

c. Capital surplus

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 less 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, 2015 and 2014, the bonus to employees and the remuneration to directors and supervisors were both zero since the Company had no distributable earnings in 2015 and 2014.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation are subject to the resolution of the shareholders in their meeting to be held on June 2, 2016.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

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 - exchange differences on translating foreign operations

	<u>For the Year Ended December 31</u>	
	2015	2014
Balance at January 1	\$ (7,620)	\$ (11,331)
Exchange differences arising on translating the foreign operations	<u>3,659</u>	<u>3,711</u>
Balance at December 31	<u>\$ (3,961)</u>	<u>\$ (7,620)</u>

15. LOSS BEFORE INCOME TAX

a. Other income

	<u>For the Year Ended December 31</u>	
	2015	2014
Interest income	\$ 12,681	\$ 10,719
Subsidy revenue	5,864	7,575
Others	<u>3</u>	<u>-</u>
	<u>\$ 18,548</u>	<u>\$ 18,294</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2015	2014
Net foreign exchange losses	\$ 914	\$ (2,082)
Loss on disposal of property, plant and equipment	<u>-</u>	<u>(62)</u>
	<u>\$ 914</u>	<u>\$ (2,144)</u>

c. Depreciation

	<u>For the Year Ended December 31</u>	
	2015	2014
Operating expenses		
Property, plant and equipment	<u>\$ 3,432</u>	<u>\$ 2,192</u>

d. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2015	2014
Operating expenses		
Defined contribution plans	\$ 4,735	\$ 4,270
Share-based payments	58,914	55,909
Short-term benefits	<u>75,426</u>	<u>66,371</u>
	<u>\$ 139,075</u>	<u>\$ 126,550</u>

e. Loss on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2015	2014
Foreign exchange gains	\$ 3,733	\$ 262
Foreign exchange losses	<u>(2,819)</u>	<u>(2,344)</u>
	<u>\$ 914</u>	<u>\$ (2,082)</u>

16. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	<u>For the Year Ended December 31</u>	
	2015	2014
Current tax		
In respect of the current year	\$ -	\$ -
Adjustments for prior periods	-	(1)
Offshore income tax	<u>-</u>	<u>2,327</u>
	-	2,326
Deferred tax		
In respect of the current year	<u>-</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ -</u>	<u>\$ 2,326</u>

b. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2015	2014
Loss carryforwards		
Expire in 2017	\$ 77,786	\$ 83,706
Expire in 2018	310,095	310,553
Expire in 2019	214,239	211,365
Expire in 2020	282,347	278,016
Expire in 2021	176,702	175,319
Expire in 2022	188,124	165,644
Expire in 2023	282,559	282,464
Expire in 2024	327,099	327,016
Expire in 2025	<u>471,068</u>	<u>-</u>
	<u>\$ 2,330,019</u>	<u>\$ 1,834,083</u>
Investment credits		
Research and development	<u>\$ 166,507</u>	<u>\$ 187,292</u>

(Continued)

	<u>December 31</u>	
	2015	2014
Temporary differences		
Clinical trial expenses	\$ 2,816	\$ 28
Foreign exchange	(564)	2,795
Amortization of intangible assets	(92,030)	-
Investment loss	<u>245,524</u>	<u>239,479</u>
	<u>\$ 155,746</u>	<u>\$ 242,302</u>
		(Concluded)

c. Integrated income tax

	<u>December 31</u>	
	2015	2014
Accumulated deficit generated on and after January 1, 1998	<u>\$ (2,074,340)</u>	<u>\$ (1,602,660)</u>

As of December 31, 2015 and 2014, there were no imputation credits which can be allocated to the shareholders. The Company had no distributable earnings in 2015 and 2014.

d. Income tax assessments

The tax returns through 2012 have been assessed by the tax authorities.

17. NET LOSS PER SHARE

	<u>For the Year Ended December 31</u>	
	2015	2014
Basic net loss per share	<u>\$ (2.16)</u>	<u>\$ (1.32)</u>

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

	<u>For the Year Ended December 31</u>	
	2015	2014
<u>Net loss for the year</u>		
Net loss used in the computation of net loss per share	<u>\$ (471,680)</u>	<u>\$ (281,735)</u>
Weighted average number of ordinary shares outstanding (in thousand shares)		

	<u>For the Year Ended December 31</u>	
	2015	2014
Weighted average number of ordinary shares in computation of net loss per share	<u>218,043</u>	<u>213,740</u>

Diluted net loss per share is the same as basic net loss per share in 2015 and 2014 because employee share options were anti-dilutive due to the net loss.

18. 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 1,603 options in January 2015, 1,642 options in January 2014, 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 capital surplus, the exercise price and number of options are adjusted accordingly.

Information about employee share options granted in 2015 and 2014 was as follows:

	2015		2014	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance, beginning of year	6,217	\$ 41.02	5,030	\$ 28.91
Options granted	1,603	139.20	1,642	75.60
Options exercised	716	39.89	305	18.63
Options forfeited	-	-	150	59.13
Balance, end of year	<u>7,104</u>	63.28	<u>6,217</u>	41.02
Options exercisable, end of year	<u>3,457</u>	25.00	<u>3,315</u>	24.27

The exercise price and number of options were adjusted accordingly for the charges in the Company's capital surplus.

The weighted-average share prices at the date of exercise of share options for the years ended December 31, 2015 and 2014 were NT\$168.63 and NT\$102.01.

Information about outstanding options as of December 31, 2015 and 2014 was as follows:

	December 31			
	2015		2014	
	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Granted in 2015	\$139.2	9 years	\$ -	-
Granted in 2014	75.6	8 years	75.6	9 years
Granted in 2012	45.6	7 years	45.6	8 years
Granted in 2011	33.3	6 years	33.3	7 years
Granted in 2009	10.0	11 months	10.0	1 year 11 months

Options granted during the years ended December 31, 2015 and 2014 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Granted in 2015	Granted in 2014	Granted in 2012	Granted in 2011	Granted in 2009
Grant-date share price (NT\$)	<u>\$142.60</u>	<u>\$73.20</u>	<u>\$47.04</u>	<u>\$38.40</u>	<u>\$20.64</u>
Exercise price (NT\$)	<u>\$139.20</u>	<u>\$75.60</u>	<u>\$45.60</u>	<u>\$33.30</u>	<u>\$10.00</u>
Expected volatility	26%	31.7%	50%	36%	54%
Expected life (years)	2-4 years	7 years	7 years	5 years	5 years
Expected dividend yield	-	-	-	-	-
Risk-free interest rate	0.92%	1.40%	1.02%	0.62%	1.00%

Compensation costs of employee share options above were \$28,663 thousand and \$23,561 thousand in 2015 and 2014.

On September 24, 2015 and December 12, 2013, the Company's board of directors resolved to issue ordinary shares for cash. Under the Company's Articles of Incorporation, the Company reserved 15% and 10% of new shares for subscription by employees and determined the number of options and exercise price in November 2015 and February 2014.

Under IFRS 2 "Share-based Payment", the Company is required to apply fair value method to measure employee share options and to recognize compensation cost at grant date. Compensation costs of employee share options above were \$30,251 thousand and \$29,102 thousand in 2015 and 2014.

19. 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.

20. 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

	<u>December 31</u>	
	2015	2014
<u>Financial assets</u>		
Loans and receivables (1)	\$ 4,568,837	\$ 1,524,670
<u>Financial liabilities</u>		
Amortized cost (2)	26,153	49,960

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

2) The balances included financial liabilities measured at amortized cost, and 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 set out in Note 25.

Sensitivity analysis

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 appreciate 5% against the relevant currency.

U.S. Dollars Impact	
For the Year Ended December 31	
2015	2014
\$ 804	\$ 1,533

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, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	<u>\$ 19,560</u>	<u>\$ 4,353</u>	<u>\$ 1,698</u>	<u>\$ 542</u>	<u>\$ -</u>

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	<u>\$ 46,024</u>	<u>\$ 833</u>	<u>\$ 2,500</u>	<u>\$ 603</u>	<u>\$ -</u>

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.

	<u>December 31</u>	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 3,465,200	\$ 1,240,000
Cash flow interest rate risk		
Financial assets	1,089,715	282,244

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 1 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 1 basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2015 and 2014 would increase/decrease by \$109 thousand and \$28 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate cash in bank.

21. 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.

Compensation of key management personnel

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

	<u>For the Year Ended December 31</u>	
	2015	2014
Short-term employee benefits	\$ 22,793	\$ 21,440
Post-employment benefits	690	683
Share-based payments	<u>15,803</u>	<u>25,372</u>
	<u>\$ 39,286</u>	<u>\$ 47,495</u>

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

22. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31</u>	
	2015	2014
Pledge deposits (classified as other financial assets - current)	<u>\$ 24,821</u>	<u>\$ 24,791</u>

23. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Significant contingent liabilities: None

b. Unrecognized commitments

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2015 and 2014 were as follows:

1) 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 royalty 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 royalty is based on a particular percentage of sales
5	Rockefeller University (America)	LM-52	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 royalty is based on particular percentage of sales 4) Sublicensing royalty is based on a particular percentage of each milestone licensed amount
6	Ambrilia Biopharma Inc. (Canada)	Protease Inhibitor (PI)	US\$250 thousand	1) US\$100-US\$4,000 thousand per milestone 2) Sales royalty is based on particular percentage of sales 3) Sublicensing royalty is based on a particular percentage of each milestone licensed amount

Items 1-4 TMB-355 exclusive license agreement

In September 2007, the Company entered an Exclusive License Agreement for Anti-CD4 Antibody technique and its patent 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. Before signing the agreement with the Company, 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. Consequently, the Company generally accepted the agreement and will pay royalty to Biogen Inc. The royalty is based on research progress. However, the patent authorized in the agreement has expired on April 15, 2015.

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 10 and 14).

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:

- a) 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 the Company can decide if it will carry out all the process until filing.
- b) The Company shall file an NDA to the U.S. Food and Drug Administration (“FDA”), covering a reformulation product of TMB-355, a kind of Back-Up Product by December 31, 2020 as well as meeting several clinical trials 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. The Company had developed the new medication of TMB-355 Ibalizumab, the new medication is being tested in clinical trials.

Item 5 LM-52

The Group signed “Fusion Protein Approach Exclusive License Agreement” with Rockefeller University in April 2011 and acquired the relevant rights as amended in 2012 which will be used in researching and developing TMB-355 Ibalizumab second generation (named as LM-52).

On October 15, 2014, the Group sent notice to Rockefeller University informing the early termination of the agreement regarding the fusion protein development. The amendment part on LM-52 was not included. Fusion Protein Approach was no longer developed by the Group.

In December 2014, the Company signed a transfer agreement with TMB USA. The Company generally accepted the rights and obligations of TMB USA. The total amount of this contract is US\$370 thousand.

The Company cooperated with ADARC research institution for improve TMB-360 into TMB-365, and the Company will put emphasis on developing TMB-365.

Items 6 exclusive license agreement for PI

In 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 (PI) and integrase inhibitors (INI) 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.

On July 7, 2014, the Company’s board of directors resolved to terminate INI in agreement with Ambrilia due to the fact that drug development of INI cannot achieve the objectives. In the future, the Company will focus on development of PI (TMB-607).

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 14).

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. On March 25, 2014, the Company made an agreement with Academia Sinica for the termination of Tamiphosphor.

2) Contract manufacturing organization (CMO)

a) TMB-355

On July 17, 2012, the Company authorized WuXi Apptec to produce TMB-355 Ibalizumab. In December 2013 and June 2015, the Company amended the contents of the contract. As of December 31, 2015 and 2014, the Company had paid US\$13,058 thousand and US\$5,162 thousand, respectively. Expected payment in the future is around US\$659 thousand.

b) TMB-365

In June 2014 and April 2015, the Company authorized EirGenix, Inc. to produce TMB-355 Ibalizumab second generation (TMB-360) and TMB-355 Ibalizumab second generation (TMB-365), which will be used for clinical trial. As of December 31, 2015, the Company had paid US\$798 thousand. Expected payment in the future is around US\$1,292 thousand.

3) 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:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Not later than 1 year	\$ 5,263	\$ 5,547
Later than 1 year and not later than 5 years	<u>10,653</u>	<u>14,408</u>
	<u>\$ 15,916</u>	<u>\$ 19,955</u>

24. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Qualified employees of the Company and its subsidiaries were approved to receive and were granted 1,604 options on December 31, 2015. Options were released on January 4, 2016. 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.

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

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed.

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

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 14	38.825 (USD:NTD)	<u>\$ 474</u>
<u>Financial liabilities</u>			
Monetary items			
USD	502	38.825 (USD:NTD)	<u>\$ 16,545</u>

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 16	31.65 (USD:NTD)	<u>\$ 498</u>
<u>Financial liabilities</u>			
Monetary items			
USD	984	31.65 (USD:NTD)	<u>\$ 31,155</u>

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2015		2014	
	Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate
USD	31.739 (USD:NTD)	<u>\$ 914</u>	30.306 (USD:NTD)	<u>\$ (2,082)</u>

26. 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

27. 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, 2015 and 2014 can be compared with reportable segment revenue and operation outcome for that period. Additionally, 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.

TAIMED BIOLOGICS INC. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note A)	Transactions Details			
				Financial Statement Account	Amount (Note C)	Payment Terms	% to Total Sales or Assets
0	TaiMed Biologics Inc.	TaiMed Biologics USA Corp.	1	Services expense	\$ 63,530	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.

TAMED BIOLOGICS INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2015

(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, 2015			Net Income (Gross) of the Investee (Note A)	Share of Profits (Loss) (Note A)	Note
				December 31, 2015	December 31, 2014	Shares	%	Carrying Value			
TaiMed Biologics Inc.	TaiMed Biologics USA Corp. TaiMed Biologics HK Limited TMB HK Services Limited	18201 Von Karman Avenue Suite 470, Irvine, CA 92612, USA 2/F, Jonsim Place, No. 228 Queen's Road East, Wanchai, Hong Kong 2/F, Jonsim Place, No. 228 Queen's Road East, Wanchai, Hong Kong	Research and development Investment Investment	\$ 295,044 3 -	\$ 295,044 3 -	9,100,000 100 1	100 100 100	\$ 80,198 3 -	\$ (6,044) - -	Subsidiary Subsidiary Subsidiary	

Note A: TaiMed Biologics USA Corp. was based on audited financial statements as of December 31, 2015; others were based on unaudited financial statements as of December 31, 2015.

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