

**TBG INC.**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2014 AND 2013**



資誠

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of TBG INC.

We have audited the accompanying consolidated balance sheets of TBG INC. and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TBG INC. and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

*PricewaterhouseCoopers, Taiwan*  
**PricewaterhouseCoopers, Taiwan**

March 24, 2015

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

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TBG INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2014 AND 2013  
(Expressed in New Taiwan dollars)

Assets	Notes	December 31, 2014 AMOUNT	December 31, 2013 AMOUNT
<b>Current assets</b>			
Cash and cash equivalents	6(1)	\$ 210,845,088	\$ 314,541,150
Other receivables		6,011,188	57,464,439
Prepayments		64,890,213	1,226,327
<b>Total current assets</b>		<u>281,746,489</u>	<u>373,231,916</u>
<b>Non-current assets</b>			
Available-for-sale financial assets - non-current	6(2)	31,241,430	44,529,875
Property, plant and equipment	6(3)	41,112,471	-
Intangible assets	6(4)	16,537,155	16,537,155
Other non-current assets		2,460,388	316,262
<b>Total non-current assets</b>		<u>91,351,444</u>	<u>61,383,292</u>
<b>Total assets</b>		<u>\$ 373,097,933</u>	<u>\$ 434,615,208</u>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Other payables		\$ 851,718	\$ 6,930
Current income tax liabilities		-	49,969,006
Other current liabilities		476,230	445,012
<b>Current Liabilities</b>		<u>1,327,948</u>	<u>50,420,948</u>
<b>Non-current liabilities</b>			
<b>Other non-current liabilities</b>		-	702,484
<b>Total liabilities</b>		<u>1,327,948</u>	<u>51,123,432</u>
<b>Equity</b>			
<b>Share capital</b>			
Share capital - common stock	6(5)	371,198,792	371,198,792
<b>Retained earnings</b>			
Unappropriated retained earnings		2,226,358	9,737,592
<b>Other equity interest</b>			
Other equity interest		( 1,655,165)	2,555,392
<b>Total equity</b>		<u>371,769,985</u>	<u>383,491,776</u>
<b>Total liabilities and equity</b>		<u>\$ 373,097,933</u>	<u>\$ 434,615,208</u>

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

TBG INC.AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013, 2014 AND 2013  
(Expressed in New Taiwan dollars)

Items	Notes	Year ended December 31	
		2014	2013
		AMOUNT	AMOUNT
<b>Operating expenses</b>	6(8)(9)		
Selling expenses		( \$ 100,303)	\$ -
General and administrative expenses		( 17,798,732)	( 9,656,807)
Research and development expenses		( 245,380)	-
<b>Total operating expenses</b>		( 18,144,415)	( 9,656,807)
<b>Operating loss</b>		( 18,144,415)	( 9,656,807)
<b>Non-operating income and expenses</b>			
Other income	6(6)	4,854,778	1,695,428
Other gains and losses	6(7)	5,778,403	10,537,890
<b>Total non-operating income and expenses</b>		10,633,181	12,233,318
<b>(Loss) income before income tax</b>		( 7,511,234)	2,576,511
Income tax expense		-	-
<b>Net (loss) income for the year</b>		( \$ 7,511,234)	\$ 2,576,511
<b>Other comprehensive income</b>			
Financial statements translation differences of foreign operations		\$ 2,850,489	\$ 53,185
Unrealized (loss) gain on valuation of available-for-sale financial assets		( 7,061,046)	2,651,776
<b>Other comprehensive (loss) income for the year</b>		( \$ 4,210,557)	\$ 2,704,961
<b>Total comprehensive (loss) income for the year</b>		( \$ 11,721,791)	\$ 5,281,472
<b>Earnings per share</b>			
<b>Basic (loss) earnings per share</b>		( \$ 0.06)	\$ 0.02
<b>Diluted (loss) earnings per share</b>			
<b>Diluted earnings (loss) per share</b>		( \$ 0.06)	\$ 0.02

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

**TBG INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(Expressed in New Taiwan dollars)

Notes	Equity attributable to owners of the parent					Total equity
	Share capital - common stock	Unappropriated retained earnings	Other equity interest			
			Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets		
6(2)	\$ 371,198,792	\$ 95,391,081	(\$ 149,569 )	\$ -	\$ 466,440,304	
	-	( 88,230,000 )	-	-	( 88,230,000 )	
	-	2,576,511	-	-	2,576,511	
	-	-	53,185	2,651,776	2,704,961	
	<u>\$ 371,198,792</u>	<u>\$ 9,737,592</u>	<u>(\$ 96,384 )</u>	<u>\$ 2,651,776</u>	<u>\$ 383,491,776</u>	
6(2)	\$ 371,198,792	\$ 9,737,592	(\$ 96,384 )	\$ 2,651,776	\$ 383,491,776	
	-	( 7,511,234 )	-	-	( 7,511,234 )	
	-	-	2,850,489	( 7,061,046 )	( 4,210,557 )	
	<u>\$ 371,198,792</u>	<u>\$ 2,226,358</u>	<u>\$ 2,754,105</u>	<u>(\$ 4,409,270 )</u>	<u>\$ 371,769,985</u>	

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

**TBG INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31 2014 AND 2013**  
(Expressed in New Taiwan dollars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Consolidated (loss) profit before tax for the year		(\$ 7,511,234 )	\$ 2,576,511
Adjustments to reconcile net (loss) income to net cash used in operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(3)(8)	551,716	460,892
Impairment loss	6(2)(7)	6,227,399	-
Interest income from bank	6(6)	( 377,537 )	( 1,693,263 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Other receivables		51,453,251	2,091,990
Prepayments		( 63,663,886 )	( 30,984 )
Net changes in liabilities relating to operating activities			
Other payables		844,788	-
Other current liabilities		31,218	8,186,838
Cash (used in) generated from operations		( 12,444,285 )	11,591,984
Interest receipt		377,537	1,693,263
Pay income tax		( 49,969,006 )	-
Net cash (used in) provided by operating activities		( 62,035,754 )	13,285,247
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Receive settlement of subsidiary company amount		-	9,718,101
Acquisition of available-for-sale financial assets		-	( 41,878,099 )
Acquisition of property, plant and equipment		( 41,683,453 )	-
Other non-current assets increase		( 2,144,126 )	-
Net cash used in investing activities		( 43,827,579 )	( 32,159,998 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Other non-current liabilities (decrease) increase		( 702,484 )	702,484
Cash dividends paid		-	( 146,330,000 )
Net cash used in financing activities		( 702,484 )	( 145,627,516 )
Financial statements translation differences of foreign operations		2,869,755	53,185
Decrease in cash and cash equivalents		( 103,696,062 )	( 164,449,082 )
Cash and cash equivalents at beginning of year		314,541,150	478,990,232
Cash and cash equivalents at end of year		<u>\$ 210,845,088</u>	<u>\$ 314,541,150</u>

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

TBG INC. AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Expressed in New Taiwan dollars)

1. HISTORY AND ORGANIZATION

TBG INC. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Cayman Islands on January 6, 2006. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research and sale of molecular diagnostics. MEDIGEN BIOTECHNOLOGY CORP. holds 100% equity interest in the Company and is the Group’s ultimate parent company.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

- (2) Effect of new standards and amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendments to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendments to IFRS 1)	July 1, 2011

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Government loans (amendments to IFRS 1)	January 1, 2013
Disclosures — Transfers of financial assets (amendments to IFRS 7)	July 1, 2011
Disclosures — Offsetting financial assets and financial liabilities (amendments to IFRS 7)	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendments to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendments to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendments to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009 — 2011	January 1, 2013

Based on the Group’s assessment, the adoption of the 2013 version of IFRSs has no significant impact on the consolidated financial statements of the Group, except the following:

**A.IAS 1, ‘Presentation of financial statements’**

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

**B.IFRS 12, ‘Disclosure of interests in other entities’**

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

**(3) IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC**

New standards, interpretations and amendments issued by IASB but not yet included in the 2013



version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016
The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.	

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

## (2) Basis of preparation

- A. Except for the available-for-sale financial assets measured at fair value, these consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

## (3) Basis of consolidation

### A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is,

when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2014	December 31, 2013	
TBG INC.	Texas BioGene, Inc.	Research of biological drugs and retail and wholesale of veterinary drugs	100	100	
TBG INC.	TBG Biotechnology Corp.	Research of biological drugs and retail and wholesale of veterinary drugs	100	100	
TBG INC.	TBG Biotechnology Xiamen Inc.	Development and production preparation of clinical diagnosis reagent, sales of clinical diagnosis reagent and related equipment and instruments, technical consultancy and after-sale services	100	-	Note 1

Note 1 : TBG Inc. invested in TBG Biotechnology Xiamen Inc. (a newly established subsidiary) in January 2014 and included the subsidiary from the investment date.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company:

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "NTD", which is the Company's functional and the Group's presentation currency.

#### A.Foreign currency transactions and balances

- (a)Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b)Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c)Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d)All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income and expenses'.

#### B.Translation of foreign operations

- (a)The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b)When the foreign operation partially disposed of or sold is an associate or jointly controlled entity, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even the Group still retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

#### (5) Classification of current and non-current items

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

classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(8) Impairment of financial assets

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

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

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group; or
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

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

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is

reclassified from ‘other comprehensive income’ to ‘profit or loss’. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Property, plant and equipment

A. Equipment is initially recorded at cost.

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

C. Subsequent measurement of equipment applies the cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. If a component is significant, it shall be depreciated separately.

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

Machinery and equipment	3 ~ 15 years
Testing equipment	3 ~ 5 years
Office equipment	3 ~ 5 years
Leasehold improvements	Shorter of the rental period and useful lives

(11) Intangible assets

Goodwill arises in a business combination accounted for by applying the acquisition method.

(12) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount

by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

#### (13) Derecognition of financial liabilities

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

#### (14) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### (15) Employee benefits

##### A. Short-term employee benefits

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

##### B. Pensions

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

##### C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's



employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

**D. Employees' bonuses and directors' and supervisors' remuneration**

Employees' bonuses and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the shareholders at the shareholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment', and after taking into account the effects of ex-rights and ex-dividends.

**(16) Income tax**

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply

when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

#### (17) Share capital

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

#### (18) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

#### (19) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions

and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

A. Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

The decline of the fair value of certain available-for-sale financial assets below cost was considered significant or prolonged, and the Group recognised impairment loss of \$6,227,399 in its financial statements for the year ended December 31, 2014.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

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

C. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2014	December 31, 2013
Cash on hand and petty cash	\$ 25,276	\$ 14,905
Checking accounts and demand deposits	52,569,812	16,476,245
Time deposits	158,250,000	298,050,000
	<u>\$ 210,845,088</u>	<u>\$ 314,541,150</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

(2) Available-for-sale financial assets

Items	December 31, 2014	December 31, 2013
Non-current items:		
Listed stocks	\$ 35,650,700	\$ 41,878,099
Valuation adjustment	( 4,409,270)	2,651,776
	<u>\$ 31,241,430</u>	<u>\$ 44,529,875</u>

A. The Group recognised (\$7,061,046) and \$2,651,776 in other comprehensive income for fair value change for the years ended December 31, 2014 and 2013, respectively.

B. The decline of the fair value of certain available-for-sale financial assets below cost was considered significant and accordingly, the Group recognised impairment loss of \$6,227,399 for the year ended December 31, 2014.

C. The Group has no available-for-sale financial assets pledged to others.

(3) Property, plant and equipment

	Machinery and equipment	Office equipment	Testing equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2014</u>							
Cost	\$ -	\$ 2,545,985	\$ 7,447,408	\$ 712,250	\$ -	\$ -	\$ 10,705,643
Accumulated depreciation and impairment	- ( 2,545,985)	( 7,447,408)	( 712,250)	-	-	-	( 10,705,643)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2014</u>							
Opening net book amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	8,683,011	2,050,696	-	27,748,523	2,774,712	426,511	41,683,453
Depreciation	( 138,543)	( 97,631)	-	-	( 315,542)	-	( 551,716)
Net exchange differences	( 4,838)	( 3,410)	-	-	( 11,018)	-	( 19,266)
Closing net book amount	<u>\$ 8,539,630</u>	<u>\$ 1,949,655</u>	<u>\$ -</u>	<u>\$ 27,748,523</u>	<u>\$ 2,448,152</u>	<u>\$ 426,511</u>	<u>\$ 41,112,471</u>
<u>At December 31, 2014</u>							
Cost	\$ 8,683,011	\$ 4,747,498	\$ 7,689,073	\$ 28,502,964	\$ 2,774,712	\$ 426,511	\$ 52,823,769
Accumulated depreciation and impairment	( 143,381)	( 2,797,843)	( 7,689,073)	( 754,441)	( 326,560)	-	( 11,711,298)
	<u>\$ 8,539,630</u>	<u>\$ 1,949,655</u>	<u>\$ -</u>	<u>\$ 27,748,523</u>	<u>\$ 2,448,152</u>	<u>\$ 426,511</u>	<u>\$ 41,112,471</u>

	Machinery and equipment	Office equipment	Testing equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2013</u>							
Cost	\$ -	\$ 2,545,985	\$ 7,447,408	\$ 712,250	\$ -	\$ -	\$ 10,705,643
Accumulated depreciation and impairment	- ( 2,545,985)	( 6,986,516)	( 712,250)	-	-	( 10,244,751)	
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,892</u>
<u>2013</u>							
Opening net book amount	\$ -	\$ -	\$ 460,892	\$ -	\$ -	\$ -	\$ 460,892
Additions	-	-	-	-	-	-	-
Depreciation	-	-	( 460,892)	-	-	-	( 460,892)
Closing net book amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>At December 31, 2013</u>							
Cost	\$ -	\$ 2,545,985	\$ 7,447,408	\$ 712,250	\$ -	\$ -	\$ 10,705,643
Accumulated depreciation and impairment	- ( 2,545,985)	( 7,447,408)	( 712,250)	-	-	( 10,705,643)	
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A. Property, plant and equipment has no significant components.

B. Group has no property, plant and equipment pledged to others.

(4) Intangible asset

	<u>Goodwill</u>
<u>At January 1, 2014</u>	
Cost	\$ 16,537,155
Accumulated amortisation and impairment	-
	<u>\$ 16,537,155</u>
<u>2014</u>	
Opening net book amount	\$ 16,537,155
Additions — acquired separately	-
Amortisation charge	-
Net exchange differences	-
Closing net book amount	<u>\$ 16,537,155</u>
<u>At December 31, 2014</u>	
Cost	\$ 16,537,155
Accumulated amortisation and impairment	-
	<u>\$ 16,537,155</u>

	<u>Goodwill</u>
<u>At January 1, 2013</u>	
Cost	\$ 16,537,155
Accumulated amortisation and impairment	-
	<u>\$ 16,537,155</u>
<u>2013</u>	
Opening net book amount	\$ 16,537,155
Additions — acquired separately	-
Amortisation charge	-
Net exchange differences	-
Closing net book amount	<u>\$ 16,537,155</u>
<u>At December 31, 2013</u>	
Cost	\$ 16,537,155
Accumulated amortisation and impairment	-
	<u>\$ 16,537,155</u>

(5) Share capital

As of December 31, 2014, the Company's issued capital was \$371,198,792 (USD\$12,272,297), consisting of 122,722,974 shares of ordinary shares with a par value of USD 0.1 (in dollars) per share.

(6) Other income

	Year ended December 31, 2014	Year ended December 31, 2013
Interest income from bank deposits	\$ 377,537	\$ 1,693,263
Other income	4,477,241	2,165
	<u>\$ 4,854,778</u>	<u>\$ 1,695,428</u>

(7) Other gains and losses

	Year ended December 31, 2014	Year ended December 31, 2013
Net currency exchange gains	\$ 12,006,073	\$ 10,537,890
Impairment loss	( 6,227,399)	-
other losses	( 271)	-
	<u>\$ 5,778,403</u>	<u>\$ 10,537,890</u>

(8) Expenses by nature

	Year ended December 31, 2014	Year ended December 31, 2013
Employee benefit expense	\$ 6,689,320	\$ 3,198,215
Depreciation charges on property, plant and equipment	551,716	460,892
Other expenses	10,903,379	5,997,700
	<u>\$ 18,144,415</u>	<u>\$ 9,656,807</u>

(9) Employee benefit expense

	Year ended December 31, 2014	Year ended December 31, 2013
Wages and salaries	\$ 6,350,412	\$ 3,198,215
Other personnel expenses	338,908	-
	<u>\$ 6,689,320</u>	<u>\$ 3,198,215</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by Medigen Biotech Corp., which owns 100% of the Company's shares.

The ultimate controlling party of the Company is Medigen Biotech Corp..

(2) Significant related party transactions

A. Prepayments

	Year ended December 31, 2014	Year ended December 31, 2013
Prepayments to related parties:		
- The ultimate parent	<u>\$ 63,346,500</u>	<u>\$ -</u>

B. Operating expenses

	Year ended December 31, 2014	Year ended December 31, 2013
Expenses to related parties:		
- Associate	<u>\$ 4,227,400</u>	<u>\$ 3,844,350</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the gearing ratio below 70%. The group has no borrowings at December 31, 2014 and 2013 .

### (2) Financial instruments

#### A. Fair value information of financial instruments

- (a) The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, other receivables and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).
- (b) Refundable deposits (recorded as other non-current assets) are recorded at the present value of its expected cash flow. Since the effect of discounting is immaterial, the carrying amount is a reasonable basis for fair value estimation.

#### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.



C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- A. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, AUD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- B. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use natural hedges, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- C. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2014			
	Foreign		Book value
	currency amount	Exchange rate	(NTD)
(Foreign currency: functional			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5,572,702	31.65	\$ 176,376,021
USD:RMB	1,069,266	6.12	6,543,911
<u>Non-monetary items</u>			
AUD:NTD	1,206,000	25.905	31,241,430

December 31, 2013			
	Foreign currency amount	Exchange rate	Book value (NTD)
(Foreign currency: functional			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,434,326	29.805	\$ 370,605,085
<u>Non-monetary items</u>			
AUD:NTD	1,675,000	26.585	44,529,875
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,676,531	29.805	49,969,006

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

Year ended December 31, 2014			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,763,760	\$ -
USD:RMB	1%	65,439	-

Year ended December 31, 2013			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 3,706,051	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	499,690	-

#### Price risk

A. The Group is exposed to equity securities price risk because of investments held by the

Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- B. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2014 and 2013 would have increased/decreased by \$261,923 and \$354,236, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

(b) Liquidity risk

- A. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions by the Investment Commission of the Ministry of Economic Affairs.
- B. Surplus cash held by the operating entities over and above balance required for working capital management are supervised by the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2014 and 2013, the Group held money market position of \$210,845,088 and \$314,541,150, respectively.
- C. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Derivative financial liabilities:

December 31, 2014	Less than 1 year	Over 1 year
Other payables	\$ 851,718	\$ -

Derivative financial liabilities:

December 31, 2013	Less than 1 year	Over 1 year
Other payables	\$ 6,930	\$ -

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. The group's instruments are all in level 1. Instruments included in level 1 comprise primarily equity instruments classified as available-for-sale financial assets.

13. SUPPLEMENTARY DISCLOSURES

None.

14. SEGMENT INFORMATION

The Group operates business only in a single industry. The Board of Directors, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.