PHARMAENGINE, INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2016 AND 2015

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholder of PharmaEngine, Inc.

We have reviewed the accompanying consolidated balance sheets of PharmaEngine, Inc. and its subsidiary as of March 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

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

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

PricewaterhouseCoopers, Taiwan

May 4, 2016

PHARMAENGINE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2016, DECEMBER 31, 2015 AND MARCH 31, 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2016 AND 2015 ARE REVIEWED, NOT AUDITED)

			March 31, 2016		December 31, 2015		March 31, 2015	
	Assets	Notes	Amount	%	Amount	%	Amount	%
	Current Assets							
1100	Cash and cash equivalents	6(1)	$ 651,436	20	$ 432,516	14	$ 2,864,412	98
1170	Accounts receivable, net	6(2)	3,006	-	4,181	-	11,958	1
1200	Other receivables	7	4,182	-	5,565	-	2,569	-
1220	Current income tax assets		-	-	-	-	4,320	-
1410	Prepayments		2,304		1,284	-	741	-
1476	Other current financial assets	6(3)	2,456,595	77	2,719,785	84	-	-
1479	Other current assets		673	-	257	-	1,407	-
11XX	Total Current Assets		3,118,196	97	3,163,588	98	2,885,407	99
	Non-current Assets							
1600	Property, plant and equipment	6(4)	11,886	1	12,031	-	5,982	-
1780	Intangible assets		422	-	488	-	699	-
1840	Deferred income tax assets		63,864	2	58,682	2	24,312	1
1900	Other non-current assets	6(5) and 7	5,056	-	3,793	-	2,781	-
15XX	Total Non-current Assets		81,228	3	74,994	2	33,774	1
1XXX	Total Assets		$ 3,199,424	100	$ 3,238,582	100	$ 2,919,181	100

(Continued)

PHARMAENGINE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2016, DECEMBER 31, 2015 AND MARCH 31, 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2016 AND 2015 ARE REVIEWED, NOT AUDITED)

			March 31, 2016		December 31, 2015		March 31, 2015	
	Assets	Notes	Amount	%	Amount	%	Amount	%
	Current Liabilities							
2150	Notes payable		$ 1,534	-	$ 3,914	-	$ 2,241	-
2200	Other payables	6(6)	24,341	1	32,836	1	13,069	1
2230	Current tax liabilities		28,494	1	28,768	1	-	-
2300	Other current liabilities		781	-	822	-	460	-
21XX	Total Current Liabilities		55,150	2	66,340	2	15,770	1
	Non-current Liabilities							
2570	Deferred income tax liabilities	6(17)	9,645	-	13,071	-	-	-
2XXX	Total Liabilities		64,795	2	79,411	2	15,770	1
	Capital							
3110	Common stock	6(8)(9)	1,021,010	32	1,019,650	32	1,019,450	35
	Capital reserve	6(10)						
3200	Capital reserve		1,828,270	58	1,811,149	57	1,792,776	61
	Retained earnings							
3310	Legal reserve		12,359	-	12,359	-	-	-
3350	Unappropriated retained earnings	6(11)(17)	360,315	11	403,310	12	91,185	3
	Other equity interest							
3400	Other equity interest		(70)	-	(42)	-	-	-
3500	Treasury share	6(9)	(87,255)	(3)	(87,255)	(3)	-	-
3XXX	Total Equity		3,134,629	98	3,159,171	98	2,903,411	99
	Significant contingent liabilities and unrecognised contract commitments	9						
3X2X	Total Liabilities and Equity		$ 3,199,424	100	$ 3,238,582	100	$ 2,919,181	100

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

PHARMAENGINE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR LOSS PER SHARE DATA)
(UNAUDITED)

	Items	Notes	2016 Amount	2016 %	2015 Amount	2015 %
4000	Operating revenue	6(12)	$ 1,586	100	$ 6,392	100
5000	Operating costs	6(15)(16)	(1,387)	(88)	(4,382)	(68)
5900	Gross profit		199	12	2,010	32
	Operating expenses					
6100	Selling expenses	6(15)(16)	(1,810)	(114)	-	-
6200	General and administrative expenses	6(15)(16) and 7	(11,273)	(711)	(9,808)	(153)
6300	Research and development expenses	6(15)(16) and 7	(20,690)	(1304)	(22,083)	(346)
6000	Total operating expenses		(33,773)	(2129)	(31,891)	(499)
6900	Operating loss		(33,574)	(2117)	(29,881)	(467)
	Non-operating income and expenses					
7010	Other income	6(13) and 7	2,015	127	2,792	43
7020	Other gains or losses	6(14)	(20,002)	(1261)	(5,318)	(83)
7000	Total non-operating income and expenses		(17,987)	(1134)	(2,526)	(40)
7900	Loss before income tax		(51,561)	(3251)	(32,407)	(507)
7950	Income tax benefit	6(17)	8,566	540	-	-
8200	Loss for the period		($ 42,995)	(2711)	($ 32,407)	(507)
	Other comprehensive loss, net					
	Components of other comprehensive loss that will be reclassified to profit or loss, net of tax					
8361	Exchange differences on translation of foreign financial statements		($ 28)	(2)	$ -	-
8300	Other comprehensive loss		($ 28)	(2)	$ -	-
8500	Total comprehensive loss for the period		($ 43,023)	(2713)	($ 32,407)	(507)
	Loss attributable to:					
8610	Owners of parent		($ 42,995)	(2711)	($ 32,407)	(507)
	Comprehensive loss attributable to:					
8710	Owners of parent		($ 43,023)	(2713)	($ 32,407)	(507)
	Loss per share (in dollars)	6(18)				
9750	Basic loss per share		($ 0.42)		($ 0.32)	
9850	Diluted loss per share		($ 0.42)		($ 0.32)	

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

PHARMAENGINE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

		Equity attributable to owners of the parent								
		Capital		Capital Reserves		Retained Earnings		Other Equity Interest		
	Notes	Common stock	Advance receipts for share capital	Additional paid-in capital	Capital reserve - employee stock options	Legal reserve	Unappropriated earnings	Exchange difference on translation of foreign financial statements	Treasury stocks	Total equity
Three months ended March 31, 2015										
Balance at January 1, 2015		$1,018,210	$ 4,095	$1,750,577	$ 30,054	$ -	$ 123,592	$ -	$ -	$2,926,528
Amortisation of compensation cost of employee stock options	6(8)	-	-	-	3,671	-	-	-	-	3,671
Exercise of employee stock options converted to shares	6(8)(9)	1,240	(4,095)	10,223	(1,749)	-	-	-	-	5,619
Loss after income tax for three months ended March 31, 2015	6(11)	-	-	-	-	-	(32,407)	-	-	(32,407)
Balance at March 31, 2015		$1,019,450	$ -	$1,760,800	$ 31,976	$ -	$ 91,185	$ -	$ -	$2,903,411
Three months ended March 31, 2016										
Balance at January 1, 2016		$1,019,650	$ -	$1,763,292	$ 47,857	$ 12,359	$ 403,310	($ 42)	($ 87,255)	$3,159,171
Amortisation of compensation cost of employee stock options	6(8)	-	-	-	3,997	-	-	-	-	3,997
Exercise of employee stock options converted to shares	6(8)(9)	1,360	-	14,353	(1,229)	-	-	-	-	14,484
Loss after income tax for three months ended March 31, 2016	6(11)	-	-	-	-	-	(42,995)	-	-	(42,995)
Other comprehensive loss		-	-	-	-	-	-	(28)	-	(28)
Balance at March 31, 2016		$1,021,010	$ -	$1,777,645	$ 50,625	$ 12,359	$ 360,315	($ 70)	($ 87,255)	$3,134,629

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

PHARMAENGINE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2015
Cash flows from operating activities			
Loss before income tax for the period		($ 51,561)	($ 32,407)
Adjustments to reconcile net loss to net cash used in operating activities:			
Adjustments to reconcile profit (loss)			
Depreciation	6(15)	667	53
Amortisation	6(15)	66	51
Loss on disposal of property, plant and equipment	6(14)	-	162
Amortisation of compensation cost of employee stock options	6(8)	3,997	3,671
Interest income	6(13)	(1,762)	(2,788)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable, net		1,175	(6,340)
Other receivables		(757)	(164)
Current income tax assets		-	(375)
Prepayments		(1,020)	576
Other current assets		(416)	(896)
Net changes in liabilities relating to operating activities			
Notes payable		(2,380)	513
Notes payable - related parties		-	(201)
Other payables		(8,495)	(2,205)
Other current liabilities		(41)	(355)
Cash used in operations		(60,527)	(40,705)
Interest received		3,586	5,528
Net cash used in operating activities		(56,941)	(35,177)
Cash flows from investing activities			
Decrease in other current financial assets		263,190	-
Acquisition of property, plant and equipment	6(4)	(502)	(1,645)
Increase in computer software cost		-	(690)
Increase in other non-current assets		(1,263)	(2,105)
Net cash provided by (used in) investing activities		261,425	(4,440)
Cash flows from financing activities			
Employees stock options exercised		14,484	5,619
Net cash provided by financing activities		14,484	5,619
Effect of exchanges of bonds payable		(48)	-
Increase (decrease) in cash and cash equivalents		218,920	(33,998)
Cash and cash equivalents at beginning of period		432,516	2,898,410
Cash and cash equivalents at end of period		$ 651,436	$ 2,864,412

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

PHARMAENGINE, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

PharmaEngine, Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) in August 2002. On September 18, 2012, the Company's common stock was officially listed on the Taiwan Over-The-Counter Securities Exchange. The Company and its subsidiary (collectively referred herein as the "Group") are primarily engaged in the development of new medicine and therapeutic drugs for Asian rare disorders. The Company focuses on building effective corporate governance structure to enhance the Board of Directors' function, to display supervisors' function and improve management's principles and communication. Information transparency, stakeholders' interest and social responsibility area are enhanced to ensure the shareholders' equity interest. The Company has received a Certificate of Corporate Governance System CG6009 General Assessment issued by Taiwan Corporate Governance Association on September 30, 2014.

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

These consolidated financial statements were reported to the Board of Directors on May 4, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

None.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, “Regulatory deferral accounts”	January 1, 2016
IFRS 15, “Revenue from contracts with customers”	January 1, 2018
Clarifications to IFRS 15, ‘Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, “Leases”	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealizsed losses (amendment to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and operating results based on the Group’s assessment.

A. IFRS 15, "Revenue from contracts with customers"

IFRS 15, "Revenue from contracts with customers" replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognise revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

B. Amendments to IFRS 15, 'Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of goods or services) or an agent (responsible for arranging the goods or services to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

C. Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’

These amendments clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, and they clarify several of the general principles underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset’s tax base. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits. The amendments are effective from January 1, 2017.

D. Annual improvements to IFRSs 2010-2012 cycle

IFRS 2, ‘Share-based payment’

The amendment clarifies the definition of a ‘vesting condition’ whcih only includes service condition and performance condition. The amendment revises the definition of ‘service condition’, ‘performance condition’ and ‘market condition’.

E. Annual improvements to IFRSs 2012-2014 cycle

IAS 34, ‘Interim financial reporting’

The amendment clarifies what is meant by the reference in the standard to “information disclosed elsewhere in the interim financial report”. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standards 34,“Interim financial reporting” as endorsed by the FSC.

(2) Basis of preparation

A. 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 controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company significant transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of investor	Name of subsidiary	Main business activities	March 31, 2016	December 31, 2015	March 31, 2015	Description
PharmaEngine, Inc.	PharmaEngine Europe	Development and promotion of new drugs	100	100	-	Note

Note: The subsidiary was established on November 13, 2015. However, the consolidated financial statements require disclosure of three periods. Accordingly, the subsidiary information for 2015 is based on non-consolidated financial statements.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

B. Translation of foreign operations

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

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 a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(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 amount of cash and 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 commitment in operations are classified as cash equivalents.

(7) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Property, plant and equipment

A. Property, plant and equipment are 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. Equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

Computer and communication equipment	3 years
Testing equipment	5 years
Office equipment	5 years
Leasehold improvements	5 years

(9) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(10) Impairment of non-financial assets

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

(11) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable which are non-interest bearing are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(12) 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. Employees' compensation, directors' and supervisors' remuneration

Employees' compensation, directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(13) Employee share-based payment

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

B. The grant date of the above share-based payment arrangements is the date when the acquisition price and share amount are assured.

(14) 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 subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.

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

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

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

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

(15) Share capital

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

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

(16) 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.

(17) Revenue recognition

A. Sales of services are recognised as follows:

(a) The sales is recognised at the percentage of actual services performed when the outcome of services provided can be estimated reliably.

(b) When the outcome of services cannot be estimated reliably, recoverability of costs incurred is considered for revenue recognition. If the costs are likely to be recoverable, revenue is recognised to the extent of costs incurred. If the costs are unlikely to be recoverable, revenue is not recognised and costs incurred are recognised as expense.

(c) When the outcome of services result in a loss, loss is immediately recognised. However, if loss is estimated to decrease in the following years, the decrease is reversed and recognised as revenue for the year.

B. Revenue is recognised when the license agreements meet all of the following criteria for revenue recognition:

(a) Royalties are fixed or cannot be refunded;

(b) Contracts are irrevocable;

(c) Franchisee has the latitude in dealing with the related license; and

(d) Franchisor has no other obligation after giving the license.

If license agreements do not meet the above conditions, royalties are recognised as revenue using a reasonable and systematic method. The recognition should not be a one-time recognition.

(18) Operating segments

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

5. CRITICAL ACCOUNTING 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. There is no significant change on accounting judgments during the period. 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:

Realisability of deferred tax assets

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

As of March 31, 2016, the Group recognised deferred tax assets amounting to $63,864.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2016	December 31, 2015	March 31, 2015
Cash on hand and revolving funds	$ 200	$ 200	$ 200
Checking accounts and demand deposits (including foreign currency)	115,165	128,385	196,712
Time deposits (including foreign currency)	536,071	303,931	2,667,500
	$ 651,436	$ 432,516	$ 2,864,412

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.

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

(2) Accounts receivable

	March 31, 2016	December 31, 2015	March 31, 2015
Accounts receivable	$ 3,006	$ 4,181	$ 11,958
Less: allowance for bad debts	-	-	-
	$ 3,006	$ 4,181	$ 11,958

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	March 31, 2016	December 31, 2015	March 31, 2015
Group 1 (Note)	$ 1,576	$ 1,459	$ 6,402

Note: The only counterparty who has optimal credit.

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

	March 31, 2016	December 31, 2015	March 31, 2015
31 to 90 days	$ 1,430	$ 2,722	$ 5,556

The above ageing analysis was based on invoice date.

(3) Other financial assets

Item	March 31, 2016	December 31, 2015	March 31, 2014
Current item:			
Other current financial assets - time deposits	$ 2,456,595	$ 2,719,785	$ -

The Group has no other current financial assets pledged to others.

(4) Property, plant and equipment

	Computer and communication equipment	Testing equipment	Office equipment	Leasehold improvements	Total	Prepayments for equipment
At January 1, 2016						
Cost	$ 1,113	$ 180	$ 3,046	$ 9,138	$ 13,477	$ -
Accumulated depreciation	(219)	(3)	(411)	(813)	(1,446)	-
	$ 894	$ 177	$ 2,635	$ 8,325	$ 12,031	$ -
2016						
Opening net book amount	$ 894	$ 177	$ 2,635	$ 8,325	$ 12,031	$ -
Additions	217	-	-	285	502	-
Depreciation charge	(50)	(8)	(127)	(482)	(667)	-
Effects of foreign exchange	-	-	-	20	20	-
Closing net book amount	$ 1,061	$ 169	$ 2,508	$ 8,148	$ 11,886	$ -
At March 31, 2016						
Cost	$ 1,330	$ 180	$ 3,046	$ 9,423	$ 13,979	$ -
Accumulated depreciation	(269)	(11)	(538)	(1,275)	(2,093)	-
	$ 1,061	$ 169	$ 2,508	$ 8,148	$ 11,886	$ -

	Computer and communication equipment	Testing equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total	Prepayments for equipment
At January 1, 2015							
Cost	$ 178	$ 216	$ 88	$ 460	$ -	$ 942	$ 2,100
Accumulated depreciation	(70)	(189)	(48)	(283)	-	(590)	-
	$ 108	$ 27	$ 40	$ 177	$ -	$ 352	$ 2,100
2015							
Opening net book amount	$ 108	$ 27	$ 40	$ 177	$ -	$ 352	$ 2,100
Additions	625	-	1,020	-	-	1,645	2,100
Disposals	-	-	-	(162)	-	(162)	-
Transfers	-	-	-	-	4,200	4,200	(4,200)
Depreciation charge	(11)	(9)	(18)	(15)	-	(53)	-
Closing net book amount	$ 722	$ 18	$ 1,042	$ -	$ 4,200	$ 5,982	$ -
At March 31, 2015							
Cost	$ 803	$ 216	$ 1,108	$ -	$ 4,200	$ 6,327	$ -
Accumulated depreciation	(81)	(198)	(66)	-	-	(345)	-
	$ 722	$ 18	$ 1,042	$ -	$ 4,200	$ 5,982	$ -

(5) Other non-current assets

	March 31, 2016	December 31, 2015	March 31, 2015
Refundable deposits	$ 5,056	$ 3,793	$ 2,781

(6) Other payables

	March 31, 2016	December 31, 2015	March 31, 2015
Accrued directors' and supervisors' remuneration and employees' compension (bonuses)	$ 16,958	$ 16,958	$ 4,398
Employees' salary and compensation payable	5,710	10,584	4,565
Payables for commissioned research	282	2,717	1,815
Others	1,391	2,577	2,291
	$ 24,341	$ 32,836	$ 13,069

(7) Pensions

Defined contribution plans

A. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The pension costs under the defined contribution pension plan of the Company for the three months ended March 31, 2016 and 2015 were $392 and $354, respectively.

C. The subsidiary, PharmaEngine Europe, was established on November 13, 2015 and had no employee.

(8) Share-based payment

A. As of March 31, 2016, the unexercised share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Third employee stock options plan	2011.05.27	680	8 years	1.59~3.59 years' service
Fourth employee stock options plan	2012.09.17	1,150	8 years	2~4 years' service
Fifth employee stock options plan	2014.06.18	450	8 years	2~4 years' service
Fifth employee stock options plan	2014.12.26	60	8 years	2~4 years' service
Fifth employee stock options plan	2015.03.19	490	8 years	2~4 years' service

The abovementioned share-based payment arrangements are equity-settled.

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

	2016		2015	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,708	$ 208.51	1,413	$ 171.85
Options granted	-	-	490	285.00
Options exercised	(136)	106.50	(124)	78.34
Options forfeited	-	-	-	-
Options outstanding at March 31	1,572	217.34	1,779	209.53
Options exercisable at March 31	473		201	

C. The weighted-average stock price of stock options at exercise dates for the three months ended March 31, 2016 and 2015 was $222.48 and $265.07, respectively.

D. As of March 31, 2016, December 31, 2015 and March 31, 2015, the range of exercise prices of stock options outstanding was $15～$315, $15～$315 and $15～$315 (in dollars), respectively; and the weighted-average remaining contractual period was 2.76~6.62 years, 3.01~6.87 years and 3.76~7.62 years, respectively.

E. The fair values of the Company's third, fourth and fifth stock options granted after January 1, 2010 are all measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends (in dollars)	Risk-free interest rate	Fair value per unit (in dollars)
Third employee stock options plan	2011.05.27	$ 20.06	15.0	48.8%	8 years	$ 0	0.32%	7.27~ 9.27
Fourth employee stock options plan	2012.09.17	116.50	117.0	39.7%	8 years	0	1.08%	18.31~ 32.18
Fifth employee stock options plan	2014.06.18	315.00	315.0	33.9%	8 years	0	1.43%	51.28
Fifth employee stock options plan	2014.12.26	275.50	275.5	40.9%	8 years	0	1.43%	53.56
Fifth employee stock options plan	2015.03.19	285.00	285.0	30.1%	8 years	0	1.35%	41.49

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

For the three months ended March 31, 2016 and 2015, expenses incurred on share-based payment transactions were accrued at $3,997 and $3,671, respectively.

(9) Share capital

A. As of March 31, 2016, the Company's authorised capital was $1,500,000, consisting of 150 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was $1,021,010, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousand shares):

	2016	2015
At January 1	101,425	101,821
Employee stock options exercised	136	124
At March 31	101,561	101,945

B. Treasury shares

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

		March 31, 2016	
Name of company holding the shares	Reason for reacquisition	Number of shares (shares in thousands)	Carrying amount
The Company	To be reissued to employees	540	$ 87,255

		December 31, 2015	
Name of company holding the shares	Reason for reacquisition	Number of shares (shares in thousands)	Carrying amount
The Company	To be reissued to employees	540	$ 87,255

March 31, 2015: None.

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

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

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

(10) Capital surplus

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

B. Details of the Company's resolution of use of capital surplus – additional paid-in capital to distribute cash are provided in Note 6(11) F.

(11) Unappropriated retained earnings

	2016	2015
At January 1	$ 403,310	$ 123,592
Loss after income tax for the period	(42,995)	(32,407)
At March 31	$ 360,315	$ 91,185

A. Under the Company's original Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Bonus distributed to the employees and remuneration paid to the directors and supervisors should account for 2~8% and 2%, respectively, after taking into consideration item C. below. The chairman is authorised to propose the appropriation of the remainder, if any, which will be resolved by the stockholders at the stockholders' meeting.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of earnings for 2014 was resolved by the stockholders during their meeting on June 10, 2015. Details are summarized below:

	2014	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 12,359	$ -
Cash dividends	101,945	1
	$ 114,304	$ 1

The appropriation of 2014 earnings as resolved by the shareholders was in agreement with the appropriation as resolved by the Board of Directors.

E. The appropriation of earnings for 2015 was proposed by the Board of Directors on March 24, 2016. Details are summarized below:

	2015	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 39,402	$ -
Cash dividends	101,561	1
Stock dividends	203,122	2
	$ 344,085	$ 3

The above appropriation of 2015 earnings and legal reserve has not yet been resolved by the shareholders as of May 4, 2016.

F. The board of directors during its meeting on March 24, 2016 has proposed to distribute cash dividends of $101,561 from the Company's additional paid-in capital.

G. For information about employees' compensation (bonus) and directors' and supervisors' remuneration, please refer to Note 6(16).

(12) Operating revenue

	Three months ended March 31,	
	2016	2015
Service revenue	$ 1,586	$ 6,392

Sales of services are revenue received from research conducted by the Company and commissioned by Merrimack Pharmaceuticals Inc.

(13) Other income

	Three months ended March 31,	
	2016	2015
Interest income from bank deposits	$ 1,762	$ 2,788
Other income	253	4
	$ 2,015	$ 2,792

(14) Other gains and losses

	Three months ended March 31, 2016	Three months ended March 31, 2015
Net currency exchange loss	($ 19,997)	($ 5,156)
Loss on disposal of property, plant and equipment	-	(162)
Others	(5)	-
	($ 20,002)	($ 5,318)

(15) Expenses by nature

	Three months ended March 31, 2016	Three months ended March 31, 2015
Employee benefit expense	$ 22,686	$ 17,441
Depreciation charges on property, plant and equipment	$ 667	$ 53
Amortisation charges on intangible assets	$ 66	$ 51

(16) Employee benefit expense

	Three months ended March 31, 2016	Three months ended March 31, 2015
Wages and salaries	$ 16,397	$ 11,732
Employee stock options	3,997	3,671
Labour and health insurance fees	841	631
Pension costs	392	354
Other personnel expenses	1,059	1,053
	$ 22,686	$ 17,441

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

However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders during their meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on December 23, 2015. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 2%~8% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.

B. For the three months ended March 31, 2016 and 2015, no employees' compensation and directors' and supervisors' remuneration was accrued.

Employees' compensation and directors' and supervisors' remuneration for the year ended 2015 as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2015 financial statements. Employees' compensation for 2015 which has not been distributed as of May 4, 2016, will be distributed in the form of cash.

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

(17) Income tax

A. Income tax expense (benefit)

Components of income tax expense (benefit):

	Three months ended March 31,	
	2016	2015
Current tax:		
Current tax on profits for the period	$ -	$ -
Prior year income tax underestimate	42	-
Total current tax	42	-
Deferred tax:		
Origination and reversal of temporary differences	(8,608)	-
Income tax benefit	($ 8,566)	$ -

B. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	March 31, 2016	December 31, 2015	March 31, 2015
Earnings generated in and after 1998	$ 360,315	$ 403,310	$ 91,185

D. The details of imputation tax credit account and creditable tax rate are as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Imputation tax credit account	$ 3,056	$ 3,056	$ 3,410

	2015 (Estimate)	2014 (Actual)
Creditable tax rate	8.51%	0.73%

(18) Earnings per share

	Three months ended March 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Net loss	($ 42,995)	101,431	($ 0.42)
Diluted loss per share			
Net loss	($ 42,995)	101,431	
Assumed conversion of all dilutive potential ordinary shares:			
Employee stock options (Note)	-	-	
	($ 42,995)	101,431	($ 0.42)

	Three months ended March 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Net loss	($ 32,407)	101,827	($ 0.32)
Diluted loss per share			
Net loss	($ 32,407)	101,827	
Assumed conversion of all dilutive potential ordinary shares:			
Employee stock options (Note)	-	-	
	($ 32,407)	101,827	($ 0.32)

Note: If anti-dilutive effect will arise when adopting treasury stock method, anti-dilutive shares are not included in the computation.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Other receivables

	March 31, 2016	March 31, 2015
Entities with significant influence to the Company	$ 203	$ -

Other receivables arise from sales of testing equipment reaching the useful lives to the above entities. The carrying amount is $0, and the gain (loss) on disposal which was recorded as other income was $193.

B. Operating expense:

	Three months ended March 31,	
	2016	2015
Rental expense:		
－Entities with significant influence to the Company	$ -	$ 128

Operating expense is for renting offices in Taipei City from the above entities. Rents are determined in accordance with mutual agreement, and payment term is prepaid notes to be cashed over installments. The lease has terms expiring between April 1 and March 31 of the following year. The Company terminated the lease of the offices from the above entities by the end of February, 2015. As of March 31, 2016, December 31, 2015 and March 31, 2015, the refundable deposits for the lease were $0, $0 and $185, respectively.

(2) Key management compensation

	Three months ended March 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 6,537	$ 3,869
Post-employment benefits	68	54
Share-based payments	372	436
	$ 6,977	$ 4,359

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The Company's significant commitments as of March 31, 2016 were as follows:

(1) The Company has signed a licensing and collaboration contract for NBTXR3 in Asia-Pacific region with Nanobiotix S.A. on August 6, 2012, and promised to pay license fee and a certain percentage of royalties based on the stage of completion and sales of products. The maximum license fees payable is USD56 million. The Company has paid upfront payment of approximately USD1 million and the first milestone payment of USD1 million in the third quarter of 2012 and fourth quarter of 2014.

(2) Operating leases agreements:

The future aggregate minimum lease payments payable under operating leases are as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Not later than one year	$ 13,591	$ 13,517	$ 7,647
Later than one year but not later than five years	37,442	41,122	28,433
Total	$ 51,033	$ 54,639	$ 36,080

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.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, refundable deposit, notes payable, other payables and other current liabilities) approximate to their fair values.

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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company'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 the use of excess liquidity.

(c) Significant financial risks and degrees of financial risks

i. Market risk

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

	March 31, 2016		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 31,548	32.19	$ 1,015,598
EUR:NTD	35	36.51	1,261
Non-monetary items			
EUR:NTD	101	36.51	3,688

	Dcember 31, 2015		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 31,507	32.83	$ 1,034,197
Non-monetary items			
EUR:NTD	46	36.08	1,723

	March 31, 2015		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 15,849	31.30	$ 496,063

As of March 31, 2016, December 31, 2015 and March 31, 2015, there is no significant monetary financial liability denominated in foreign currency.

(ii) The unrealised exchange loss arising from foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2016 and 2015 amounted $20,151 and $23,226, respectively.

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

	Three months ended March 31, 2016		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 10,156	$ -
EUR:NTD	1%	13	-

	Three months ended March 31, 2015		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 4,961	$ -

ii. Credit risk

(i) Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.

(ii) No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(iii) The Group's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.

iii. Liquidity risk

(i) Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury along with Administrative Management Department. Group treasury along with Administrative Management Department monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

(ii) The Group's notes payable and other payables are due within 12 months, therefore, the Group expects no significant liquidity risk.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

D. Acquisition or sale of the same security with the accumulated cost reaching $300 million or 20% of the Company's paid-in capital: None.

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

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

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

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

I. Trading in derivative financial instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Please refer to table 1.

(3) Information on investments in Mainland China

None.

14. OPERATING SEGMENT INFORMATION

(1) General information

The Company and its subsidiary are mainly engaged in the research of new medicine. The Company and its subsidiary operate business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

(2) Segment information

The Group has one reportable operating segment, thus, the reportable information was in agreement with the financial statements.

(3) Reconciliation for segment income

Consolidated segment operating losses reported to the chief operating decision-maker is measured in a manner consistent with revenue and expense in the statement of comprehensive income. The Group did not provide total assets and liabilities to operating decision-maker, thus, the report provided to operating decision-maker for deciding management of segments is in agreement with the statements of comprehensive income. No reconciliation is needed.

PharmaEngine, Inc. and Subsidiary

Information on investees

Three months ended March 31, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at March 31, 2016					
Investor	Investee	Location	Main business activities	Balance as at March 31, 2016	Balance as at March 31, 2015	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the three months ended March 31, 2016	Investment income (loss) recognised by the Company for the three months ended March 31, 2016	Footnote
PharmaEngine, Inc.	PharmaEngine Europe	France	Development and promotion of new drugs	$ 3,699	$ 3,699	-	100.00	$ 3,688	$ 1,993	$ 1,993	Note 1, 2

Note 1: The Company's subsidiary, PharmaEngine Europe, is a limited company and thus has no shares.
Note 2: The transaction was eliminated when preparing the consolidated financial statements.