JHL BIOTECH, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2017 AND 2016

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 Shareholders of JHL BIOTECH INC.:

We have reviewed the accompanying consolidated balance sheets of JHL Biotech, Inc. and its subsidiaries (the "Group") as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review 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 conducted in accordance with generally accepted auditing standards, 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 International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Teng, Sheng-Wei Chou Tseng, Hui-Chin

For and on behalf of PricewaterhouseCoopers, Taiwan
August 11, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

JHL BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

	Assets	Notes	June 30, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%	June 30, 2016 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 1,827,131	31	$ 2,586,812	36	$ 566,151	14
1147	Investments in debt instruments	6(2)						
	without active market - current		699,683	12	1,097,811	15	574,642	15
1170	Accounts receivable, net	6(3)	-	-	28,336	-	8,232	-
1200	Other receivables		29,196	-	5,909	-	13,703	-
130X	Inventory	6(4)	204,002	3	193,570	3	110,588	3
1410	Prepayments	6(5)	290,739	5	275,888	4	250,658	6
1476	Other current financial assets	8	154,559	3	220,322	3	217,890	6
11XX	**Total current assets**		3,205,310	54	4,408,648	61	1,741,864	44
	Non-current assets							
1600	Property, plant and equipment	6(6)	2,153,684	37	2,262,777	31	1,755,863	44
1780	Intangible assets	6(7)	26,094	-	28,943	-	31,406	1
1915	Prepayments for equipment		9,405	-	6,713	-	6,381	-
1920	Guarantee deposits paid		4,555	-	4,064	-	4,070	-
1980	Other non-current financial assets	8	392,249	7	414,118	6	415,156	11
1990	Other non-current assets	6(8)	104,907	2	109,685	2	247	-
15XX	**Total non-current assets**		2,690,894	46	2,826,300	39	2,213,123	56
1XXX	**Total assets**		$ 5,896,204	100	$ 7,234,948	100	$ 3,954,987	100

(Continued)

JHL BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

			June 30, 2017		December 31, 2016		June 30, 2016	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$ 67,301	1	$ 314,078	4	$ 177,929	5
2170	Accounts payable		55,730	1	55,336	1	76,013	2
2200	Other payables	6(10)	151,951	3	255,743	4	168,434	4
2300	Other current liabilities	6(11)(12)	790,741	13	806,021	11	125,890	3
21XX	**Total current liabilities**		1,065,723	18	1,431,178	20	548,266	14
	Non-current liabilities							
2540	Long-term borrowings	6(12)	220,545	4	311,750	4	390,050	10
2670	Other non-current liabilities	6(13)	401,164	7	620,565	9	85,562	2
25XX	**Total non-current liabilities**		621,709	11	932,315	13	475,612	12
2XXX	**Total liabilities**		1,687,432	29	2,363,493	33	1,023,878	26
	Equity							
	Share capital	6(16)						
3110	Share capital - common stock		2,198,348	37	2,193,686	30	1,905,396	48
3140	Advance receipts for share capital		62	-	7	-	-	-
	Capital surplus	6(15)(17)						
3200	Capital surplus		2,633,546	45	3,687,696	51	1,355,388	34
	Retained earnings	6(18)						
3350	Accumulated deficit		(520,733)	(9)	(1,106,544)	(15)	(445,708)	(11)
	Other equity interest	6(19)						
3400	Other equity interest		(235,354)	(4)	(23,594)	-	(12,946)	-
31XX	**Equity attributable to owners of the parent**		4,075,869	69	4,751,251	66	2,802,130	71
36XX	**Non-controlling interest**		132,903	2	120,204	1	128,979	3
3XXX	**Total equity**		4,208,772	71	4,871,455	67	2,931,109	74
	Commitments and contingent liabilities	9						
	Significant events after the reporting period	11						
3X2X	**Total liabilities and equity**		$ 5,896,204	100	$ 7,234,948	100	$ 3,954,987	100

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

JHL BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)
(REVIEWED, NOT AUDITED)

			Six months ended June 30			
			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(20)	$ 136,023	100	$ 44,301	100
5000	**Operating costs**	6(4)(14)(24)(25)	(129,500)	(95)	(14,326)	(32)
5900	**Net operating margin**		6,523	5	29,975	68
	Operating expenses	6(14)(24)(25)				
6100	Selling expenses		(9,658)	(7)	(2,484)	(6)
6200	General and administrative expenses		(98,548)	(73)	(103,002)	(232)
6300	Research and development expenses		(402,663)	(296)	(361,828)	(817)
6000	**Total operating expenses**		(510,869)	(376)	(467,314)	(1055)
6900	**Operating loss**		(504,346)	(371)	(437,339)	(987)
	Non-operating income and expenses					
7010	Other income	6(21)	28,221	21	2,898	7
7020	Other gains and losses	6(22)	(3,934)	(3)	(15,794)	(36)
7050	Finance costs	6(23)	(24,101)	(18)	-	-
7000	**Total non-operating income and expenses**		186	-	(12,896)	(29)
8200	**Loss for the year**		($ 504,160)	(371)	($ 450,235)	(1016)
	Other comprehensive income (loss)					
	Items that will not be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign financial statements		($ 215,634)	(158)	($ 49,830)	(113)
8500	**Total comprehensive loss for the year**		($ 719,794)	(529)	($ 500,065)	(1129)
	(Loss) profit attributable to:					
8610	Owners of the parent		($ 520,733)	(383)	($ 445,708)	(1006)
8620	Non-controlling interest		16,573	12	(4,527)	(10)
			($ 504,160)	(371)	($ 450,235)	(1016)
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		($ 732,493)	(538)	($ 490,363)	(1107)
8720	Non-controlling interest		12,699	9	(9,702)	(22)
			($ 719,794)	(529)	($ 500,065)	(1129)
	Earnings per share (in dollars)					
9750	**Loss per share**		($ 2.37)		($ 2.38)	
9850	**Diluted loss per share**		($ 2.37)		($ 2.38)	

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

JHL BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent											
		Capital		Capital Reserves					Other equity interest				
	Notes	Common stock	Advance receipts for share capital	Total capital surplus, additional paid-in capital	Employee stock warrants	Capital Surplus, restricted stock	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Other equity - others	Total	Non-controlling interest	Total
Six months ended June 30, 2016													
Balance at January 1, 2016		$ 1,895,858	$ -	$ 1,805,123	$ 107,158	$ 3	$ -	($ 580,379)	$ 31,710	($ 2)	$ 3,259,471	$ 138,681	$ 3,398,152
Capital surplus used to offset accumulated deficit	6(18)	-	-	(580,379)	-	-	-	580,379	-	-	-	-	-
Employee stock options exercised	6(15)	9,538	-	7,713	(14,548)	-	-	-	-	-	2,703	-	2,703
Compensation cost of employee stock options	6(15)	-	-	-	30,318	-	-	-	-	-	30,318	-	30,318
Employee stock options expired	6(15)	-	-	-	(2,996)	-	2,996	-	-	-	-	-	-
Compensation cost of employee restricted shares	6(15)	-	-	-	-	-	-	-	-	1	1	-	1
Employee restricted shares vested	6(15)	-	-	2	-	(2)	-	-	-	-	-	-	-
Loss for the period		-	-	-	-	-	-	(445,708)	-	-	(445,708)	(4,527)	(450,235)
Other comprehensive loss for the period	6(19)	-	-	-	-	-	-	-	(44,655)	-	(44,655)	(5,175)	(49,830)
Balance at June 30, 2016		$ 1,905,396	$ -	$ 1,232,459	$ 119,932	$ 1	$ 2,996	($ 445,708)	($ 12,945)	($ 1)	$ 2,802,130	$ 128,979	$ 2,931,109
Six months ended June 30, 2017													
Balance at January 1, 2017		$ 2,193,686	$ 7	$ 3,508,994	$ 172,564	$ -	$ 6,138	($ 1,106,544)	($ 23,594)	$ -	$ 4,751,251	$ 120,204	$ 4,871,455
Capital surplus used to offset accumulated deficit	6(18)	-	-	(1,106,544)	-	-	-	1,106,544	-	-	-	-	-
Employee stock options exercised	6(15)	4,662	55	3,278	(6,638)	-	-	-	-	-	1,357	-	1,357
Compensation cost of employee stock options	6(15)	-	-	-	55,754	-	-	-	-	-	55,754	-	55,754
Loss for the period		-	-	-	-	-	-	(520,733)	-	-	(520,733)	16,573	(504,160)
Other comprehensive loss for the period	6(19)	-	-	-	-	-	-	-	(211,760)	-	(211,760)	(3,874)	(215,634)
Balance at June 30, 2017		$ 2,198,348	$ 62	$ 2,405,728	$ 221,680	$ -	$ 6,138	($ 520,733)	($ 235,354)	$ -	$ 4,075,869	$ 132,903	$ 4,208,772

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

JHL BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Six months ended June 30 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 504,160)	($ 450,235)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(24)	113,551	52,294
Amortisation	6(7)(24)	5,002	4,715
Rental expense for long-term prepaid rents	6(8)	1,141	-
Compensation cost of employee stock options	6(15)	55,754	30,318
Amortisation of compensation cost of employee restricted shares	6(15)	-	1
Interest revenue	6(21)	(20,331)	(2,449)
Finance costs	6(23)	24,101	-
Loss on disposal of property, plant and equipment	6(22)	121	-
Revenue from transfer of Advance Receipts and Deferred revenue		(81,930)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		28,336	16,528
Other receivables		(23,287)	(10,488)
Inventory		(10,432)	(110,588)
Prepayments		(14,851)	(64,784)
Other non-current assets		(33)	-
Changes in operating liabilities			
Accounts payable		394	76,013
Other payables		(97,359)	(12,661)
Other current liabilities		(14,923)	28,318
Other non-current liabilities		-	2,660
Cash outflow generated from operations		(538,906)	(440,358)
Interest received		20,331	2,583
Interest paid		(8,514)	-
Net cash flows used in operating activities		(527,089)	(437,775)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of (acquisition of) investments in debt instruments without active market, current		398,128	(246,392)
Decrease (increase) in other financial assets - current		65,763	(217,890)
Acquisition of property, plant and equipment and prepayments for equipment	6(28)	(101,517)	(445,766)
Acquisition of intangible assets	6(28)	(2,616)	(6,911)
Increase in refundable deposits		(491)	(61)
Net cash flows from (used in) investing activities		359,267	(917,020)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(246,777)	127,379
Repayment of long-term borrowings		(173,565)	-
Proceeds from long-term borrowings		-	228,766
Employee stock options exercised		1,357	2,703
Net cash flows (used in) from financing activities		(418,985)	358,848
Effect of exchange rate changes		(172,874)	(10,817)
Net decrease in cash and cash equivalents		(759,681)	(1,006,764)
Cash and cash equivalents at beginning of period		2,586,812	1,572,915
Cash and cash equivalents at end of period		$ 1,827,131	$ 566,151

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

JHL BIOTECH, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 WERE REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

JHL Biotech, Inc. (the "Company") was founded in June 2012 in the Cayman Islands. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in research and development, manufacturing, sales and research of new protein drugs and biosimilars. The Group has been dedicated to the research and development of new protein drugs and biosimilars.

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

These consolidated financial statements were reported to the Board of Directors on August 11, 2017.

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")

New standards, interpretations and amendments as endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date 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
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 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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 financial performance based on the Group's assessment.

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
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
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. 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 recognized 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 recognizes 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 recognizes 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: Recognize 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.

IFRS 15 requires that an entity capitalizes the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Contract cost assets are amortized on a systematic basis consistent with the expected pattern of transfer of the related goods or services under the contract.

A contract modification could change the scope of the contract, the price of the contract, or both. IFRS 15 states that an entity accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of distinct goods or services, and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

If a modification does not meet the above criteria, an entity should determine whether the remaining goods or services (including the increase in scope from the contract modification) are distinct from the goods or services transferred before the modification. If they are distinct, an entity shall account for the modification prospectively. If the remaining goods or services in the modification are not distinct, an entity accounts for a modification through a cumulative catch-up adjustment. The effect that the modification has on the transaction price, and the measure of progress towards complete satisfaction of the performance obligation, is recognized as an adjustment to revenue at the date of modification.

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

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognized 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.

D. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(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 IFRSs as endorsed by the FSC are as follows:

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
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2016, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. 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.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

(2) Basis of preparation

A. The 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:

The basis for preparation of consolidated financial statements are consistent with those for the year ended December 31, 2016.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) June 30, 2017	Description
JHL Biotech, Inc.	JHL Biotech Inc., Taiwan	Research and development, manufacturing and sales of new protein drugs and biosimilars; contract research business	100	
JHL Biotech, Inc.	JHL Biotech (Hong kong) Limited	Research and development, manufacturing and sales of new protein drugs and biosimilars; contract research business	100	
JHL Biotech (Hong kong) Limited	Xikang (Wuhan) Biopharmaceutical Co., Ltd.	Manufacturing and sales of new protein drugs and biosimilars	100	
JHL Biotech (Hong kong) Limited	Jianheli (Wuhan) Biopharmaceutical Co., Ltd.	Manufacturing and sales of new protein drugs and biosimilars	40	Note

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2016	Ownership (%) June 30, 2016	Description
JHL Biotech, Inc.	JHL Biotech Inc., Taiwan	Research and development, manufacturing and sales of new protein drugs and biosimilars; contract research business	100	100	
JHL Biotech, Inc.	JHL Biotech (Hong kong) Limited	Research and development, manufacturing and sales of new protein drugs and biosimilars; contract research business	100	100	
JHL Biotech (Hong kong) Limited	Xikang (Wuhan) Biopharmaceutical Co., Ltd.	Manufacturing and sales of new protein drugs and biosimilars	100	100	
JHL Biotech (Hong kong) Limited	Jianheli (Wuhan) Biopharmaceutical Co., Ltd.	Manufacturing and sales of new protein drugs and biosimilars	40	40	Note

Note: Because the Group has the right to determine the investee's financial and operational policies, the Group is deemed to have control over the investee. In May 2017, the Company's Board of Directors has resolved to acquire the remaining 60% equity of its Chinese subsidiary, Jianheli (Wuhan) Biopharmaceutical Co., Ltd.. The transaction has not yet been completed as of the report date.

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) Income tax

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.

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

No significant change during the period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2016.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand and revolving funds	$ 347	$ 216	$ 184
Demand deposits	509,889	909,596	235,891
Time deposits	1,316,895	1,677,000	330,076
	$ 1,827,131	$ 2,586,812	$ 566,151

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) Investments in bonds without active markets

Items	June 30, 2017	December 31, 2016	June 30, 2016
Current items:			
Time deposits	$ 699,683	$ 1,097,811	$ 574,642

A. The investments in debt instruments without active market held by the Group are all time deposits held in banks with good credit rating levels.

B. The Group has no investments in bonds without active markets pledged to others.

(3) Accounts receivable

	June 30, 2017	December 31, 2016	June 30, 2016
Accounts receivable	$ -	$ 28,336	$ 8,232
Less: allowance for bad debts	-	-	-
	$ -	$ 28,336	$ 8,232

A. As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group had no accounts receivable that were impaired.

B. 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:

	June 30, 2017	December 31, 2016	June 30, 2016
Group 1	$ -	$ 4,837	$ -
Group 2	-	23,499	8,232
	$ -	$ 28,336	$ 8,232

Note:

Group 1: New customers (the first transaction of the year)

Group 2: Existing customers

C. The Group does not hold any collateral as security.

(4) Inventories

	June 30, 2017		
	Cost	Allowance for valuation loss	Book value
Materials and supplies	$ 147,660	($ 855)	$ 146,805
Work in process	57,197	-	57,197
	$ 204,857	$ (855)	$ 204,002

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Materials and supplies	$ 118,638	$ -	$ 118,638
Work in process	74,932	-	74,932
	$ 193,570	$ -	$ 193,570

	June 30, 2016		
	Cost	Allowance for valuation loss	Book value
Materials and supplies	$ 86,702	$ -	$ 86,702
Work in process	23,886	-	23,886
	$ 110,588	$ -	$ 110,588

The above materials and supplies are used in contract research and manufacture of medicines.

The cost of inventories recognised as expense for the period:

	Six months ended June 30,	
	2017	2016
Cost of goods sold	$ 25,054	$ -
Loss on decline in market value	855	-
Cost of service	26,156	14,326
License and joint development	77,435	-
	$ 129,500	$ 14,326

(5) Prepayments

	June 30, 2017	December 31, 2016	June 30, 2016
Prepaid expenses	$ 58,986	$ 47,367	$ 45,187
Net input VAT	231,693	228,284	205,465
Others	60	237	6
	$ 290,739	$ 275,888	$ 250,658

(6) Property, plant and equipment

	R&D equipment	Machinery	Leased assets	Office equipment	Leasehold improvements	Other facilities	Construction in progress and equipment to be inspected	Total
At January 1, 2017								
Cost	$ 471,036	$ 1,238,601	$ 392,329	$ 19,276	$ 207,140	$ 9,830	$ 168,816	$ 2,507,028
Accumulated depreciation	(146,192)	(40,225)	(5,449)	(8,258)	(41,097)	(3,030)	-	(244,251)
	$ 324,844	$ 1,198,376	$ 386,880	$ 11,018	$ 166,043	$ 6,800	$ 168,816	$ 2,262,777
2017								
Opening net book amount as at January 1	$ 324,844	$ 1,198,376	$ 386,880	$ 11,018	$ 166,043	$ 6,800	$ 168,816	$ 2,262,777
Additions	11,439	16,967	-	3,364	-	140	25,368	57,278
Disposals	(121)	-	-	-	-	-	-	(121)
Reclassifications	6,255	11,504	-	34	-	-	(12,303)	5,490
Depreciation	(36,310)	(57,722)	(6,283)	(1,923)	(10,410)	(903)	-	(113,551)
Net exchange differences	-	(40,013)	(12,842)	(215)	-	(62)	(5,057)	(58,189)
Closing net book amount at June 30	$ 306,107	$ 1,129,112	$ 367,755	$ 12,278	$ 155,633	$ 5,975	$ 176,824	$ 2,153,684
At June 30, 2017								
Cost	$ 488,497	$ 1,226,083	$ 379,346	$ 22,129	$ 207,140	$ 9,893	$ 176,824	$ 2,509,912
Accumulated depreciation	(182,390)	(96,971)	(11,591)	(9,851)	(51,507)	(3,918)	-	(356,228)
	$ 306,107	$ 1,129,112	$ 367,755	$ 12,278	$ 155,633	$ 5,975	$ 176,824	$ 2,153,684

	R&D equipment	Machinery	Office equipment	Leasehold improvements	Other facilities	Construction in progress and equipment to be inspected	Total
At January 1, 2016							
Cost	$ 438,995	$ 73,918	$ 9,826	$ 197,745	$ 6,806	$ 730,917	$ 1,458,207
Accumulated depreciation	(79,331)	(2,427)	(5,785)	(20,479)	(1,556)	-	(109,578)
	$ 359,664	$ 71,491	$ 4,041	$ 177,266	$ 5,250	$ 730,917	$ 1,348,629
2016							
Opening net book amount as at January 1	$ 359,664	$ 71,491	$ 4,041	$ 177,266	$ 5,250	$ 730,917	$ 1,348,629
Additions	8,267	5,256	3,700	3,404	1,570	461,928	484,125
Reclassifications	-	378	100	5,424	-	(180)	5,722
Depreciation	(32,732)	(7,506)	(1,168)	(10,220)	(668)	-	(52,294)
Net exchange differences	-	(2,511)	(21)	-	(30)	(27,757)	(30,319)
Closing net book amount at June 30	$ 335,199	$ 67,108	$ 6,652	$ 175,874	$ 6,122	$ 1,164,908	$ 1,755,863
At June 30, 2016							
Cost	$ 447,262	$ 76,722	$ 13,552	$ 206,573	$ 8,334	$ 1,164,908	$ 1,917,351
Accumulated depreciation	(112,063)	(9,614)	(6,900)	(30,699)	(2,212)	-	(161,488)
	$ 335,199	$ 67,108	$ 6,652	$ 175,874	$ 6,122	$ 1,164,908	$ 1,755,863

A. The amount of borrowing costs capitalized as part of property, plant and equipment was $9,268 and the range of the interest rates for such capitalization was between 1.97% and 6.5475% for the six months ended June 30, 2016. No interest was capitalized for the six months ended June 30, 2017.

B. The Group has no property, plant and equipment pledged as collateral.

C. Please refer to Notes 6(8) and (11) for details of lease assets.

(7) Intangible assets

	Cell line	Software	Total
At January 1, 2017			
Cost	$ 33,205	$ 12,995	$ 46,200
Accumulated amortisation and impairment	(11,839)	(5,418)	(17,257)
	$ 21,366	$ 7,577	$ 28,943
2017			
At January 1	$ 21,366	$ 7,577	$ 28,943
Additions	539	2,933	3,472
Reclassifications			-
Amortisation charge	(2,774)	(2,228)	(5,002)
Net exchange differences	(1,189)	(130)	(1,319)
June 30	$ 17,942	$ 8,152	$ 26,094
At June 30, 2017			
Cost	$ 31,860	$ 15,746	$ 47,606
Accumulated amortisation and impairment	(13,918)	(7,594)	(21,512)
	$ 17,942	$ 8,152	$ 26,094

	Cell line		Software		Total	
At January 1, 2016						
Cost	$	28,685	$	4,628	$	33,313
Accumulated amortisation and impairment	(	3,561)	(	661)	(	4,222)
	$	25,124	$	3,967	$	29,091
2016						
At January 1	$	25,124	$	3,967	$	29,091
Additions		1,163		5,974		7,137
Reclassifications		-		280		280
Amortisation charge	(	3,221)	(	1,494)	(	4,715)
Net exchange differences	(	378)	(	9)	(	387)
June 30	$	22,688	$	8,718	$	31,406
At June 30, 2016						
Cost	$	32,349	$	12,111	$	44,460
Accumulated amortisation and impairment	(	9,661)	(	3,393)	(	13,054)
	$	22,688	$	8,718	$	31,406

A. Details of amortisation on intangible assets are as follows:

	Six months ended June 30,			
	2017		2016	
Operating costs	$	41	$	442
Administrative expenses		774		451
Research and development expenses		4,187		3,822
	$	5,002	$	4,715

B. The Group has no intangible assets pledged as collateral.

C. In June 2013, the Group purchased cell line from WuXi AppTec Biopharmaceuticals. Co. Ltd., for the purpose of research and development of cancer medicines. Under the contract, the Group shall pay additional royalty if the cell line is used in future products. The amount of royalty will be either a percentage of sales or in lump sum.

D. In December 2014 and March 2016, the Group purchased cell lines from Selexis SA for research and development. Under the contract, the Group shall pay milestone fees based on clinical trial progress and commercialisation of the product, the maximum amount of which is CHF 835,000 for each contract. Moreover, the Group shall pay additional royalty if the cell lines are used in the future products. The amount of royalty will be a percentage of sales.

E. In December 2014, the Group entered into a contract to collaboratively develop CTLA4 monoclonal antibody with Humorigin, Inc. (referred hereunder as “Humorigin”). Humorigin will sell the DNA sample to the Group at a price of USD 1,500,000. In March 2016, both parties agreed to terminate the collaboration, and the Group no longer has to pay the remaining royalty of USD 1,000,000.

(8) Long-term prepaid rents (shown as 'Other non-current assets')

The subsidiary, Xikang (Wuhan) Biopharmaceutical Co., Ltd. ("Xikang (Wuhan) Company") entered into an agreement : "Building, repurchase and lease of plant", with Wuhan Optical Valley Biopark Development Co., Ltd. ("Biopark") and Wuhan Optical Valley Accelerator Investment Development Co., Ltd. ("Accelerator Company"). Under the agreement, Accelerator Company will obtain the land use right and build a plant to rent to Xikang (Wuhan) Company for a lease period of 5 years with free rent (the grant for rent obtained for this specific land and plant from the Administrative Committee of Donghu, Gaoxin Dist. was directly paid to Accelerator Company). However, Xikang (Wuhan) Company has to pay interest related to building cost and has the right to repurchase the plant at initial building cost during the lease period. In July 2016, Accelerator Company has completed and transferred the plant to the Group for use, which the Group then accounted for by adopting the finance lease method. In addition, the land use right and related costs which were accounted for using operating lease method was RMB 23 million, shown as "Other non-current assets". The Group amortized the land use right on a straight-line basis over 46.7 years, which is the remaining number of years left on the land use right. For the six months ended June 30, 2017, the Group recognized related rent expense of $1,141.

(9) Short-term borrowings

Type of borrowings	June 30, 2017	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 67,301	5.22%～5.4375%	None

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 221,272	2.43656%～4.35%	Time deposit (shown as 'Other current financial assets')
Unsecured borrowings	92,806	5.4375%～5.655%	None
	$ 314,078		

Type of borrowings	June 30, 2016	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 80,700	2.1931%	Time deposit (shown as 'Other current financial assets')
Unsecured borrowings	97,229	5.6550%～6.5475%	None
	$ 177,929		

(10) Other payables

	June 30, 2017	December 31, 2016	June 30, 2016
Payable on machinery and equipment	$ 11,333	$ 34,209	$ 66,503
R&D materials expense payable	17,763	30,667	12,757
Interest payable	33,831	23,741	270
Payable on intangible assets	1,118	262	473
Commissioned research expense payable	9,522	29,294	9,623
Wages and salaries payable	36,602	87,139	42,336
Others	41,782	50,431	36,472
	$ 151,951	$ 255,743	$ 168,434

(11) Other current liabilities

	June 30, 2017	December 31, 2016	June 30, 2016
Advance receipts for research and manufacture	$ 63,207	$ 78,130	$ 47,580
Long-term liabilities, current portion:			
License and joint development	155,822	56,210	-
Long -term borrowings	73,515	155,875	78,010
Deferred government grants revenue	11,648	12,604	-
Finance lease liabilities	486,548	503,201	-
Others	1	1	300
	$ 790,741	$ 806,021	$ 125,890

Please refer to Note 6(8) for details of finance lease of the subsidiary, Xikang (Wuhan) Company. As of June 30, 2017, December 31, 2016 and June 30, 2016, the present value of future minimum lease payments for the use right of land and plant is $486,549 and $503,201, respectively.

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	June 30, 2017
Long-term bank borrowings				
Secured foreign currency borrowings	Borrowing period: no longer than 60 months (5 years); grace period: no longer than 24 months (2 years); repayment term: 2017/3/31~2019/9/30; the principal is payable semi-annually	1.97%	Time deposit (shown as 'Other non-current financial assets')	$ 294,060
Less: current portion (shown as 'Other current liabilities')				(73,515)
				$ 220,545

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2016	June 30, 2016
Long-term bank borrowings					
Secured foreign currency borrowings	Borrowing period: no longer than 60 months (5 years); grace period: no longer than 24 months (2 years); repayment term: 2017/3/31~2019/9/30; the principal is payable semi-annually	1.97%	Time deposit (shown as 'Other non-current financial assets')	$ 467,625	$ 468,060
Less: current portion (shown as 'Other current liabilities')				(155,875)	(78,010)
				$ 311,750	$ 390,050

A. In 2014, the Mainland subsidiary entered into a contract with The Export-Import Bank of China for the loan of USD 14,500,000. As of June 30, 2017, the Group had drawn all the credit line.

B. Please refer to Note 8 for details of security and collateral for long-term borrowing.

(13) Other non-current liabilities

	June 30, 2017	December 31, 2016
Long-term advance receipts for authorisation and collaborative development	$ 500,447	$ 613,624
Deferred government grants revenue	68,187	75,755
	568,634	689,379
Less: current portion (shown as 'Other current liabilities')	(167,470)	(68,814)
	$ 401,164	$ 620,565

On December 2, 2016, the Group entered into an agreement for development cooperation on Biologics with Sanofi Hang Zhou Pharmaceuticals Co., Ltd. Under this agreement, Sanofi Hang Zhou acquired the exclusive licence in China of the biosimilar JHL1101 and some developing drugs owned by the Group. Meanwhile, Sanofi Hang Zhou is also responsible for the commercialisation of drugs in China. In return, the Group led R&D registration and manufacturing of the drugs. The Group also received an upfront payment of US$21 million and is expecting a milestone payment of US$236 million and additional share of sales revenue when the pharmaceutical products are launched in the market. As of June 30, 2017, the Group has recognized cumulative revenue of $159,832. For the six months ended June 30, 2017, the Group recognized revenue of $77,435 (shown as 'operating revenue').

(14) Pensions

A. Taiwan subsidiaries have 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, Taiwan subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

   The pension costs under the defined contribution pension plans of the Group for the six months ended June 30, 2017 and 2016 were $2,954 and $2,193, respectively.

B. The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the six months ended June 30, 2017 and 2016 was 20%. Other than the monthly contributions, the Group has no further obligations. In 2017 and 2016, the Group recognized expenses in the amount of $2,589 and $877, respectively.

(15) Share-based payment

A. For the six months ended June 30, 2017, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares)	Contract period	Vesting conditions
Employee stock options - A	2012.12~ 2013.12	5,886,000	10 years	1~4 years' service
Employee stock options - A	2014.2	114,000	10 years	1~4 years' service
Employee stock options - B	2014.8	7,520,418	10 years	1~4 years' service
Employee stock options - B	2015.3~ 2015.4	1,174,000	10 years	1~4 years' service
Employee stock options - C1	2016.5	5,909,100	10 years	2~4 years' service
Employee stock options - C2	2016.8	285,000	10 years	2~4 years' service
Employee stock options - C3	2016.9	290,900	10 years	2~4 years' service
Employee stock options - C4	2016.11	315,000	10 years	2~4 years' service
Employee stock options - C+1	2017.2	2,909,000	10 years	2~4 years' service
Employee stock options - C+2	2017.5	145,000	10 years	2~4 years' service
Employee stock options - D	2016.6	3,760,000	10 years	2~4 years' service
Restricted stocks to employees	2012.7	17,200,000	4 years	(Note)

Note: The employees are vested with 25% of total options upon issuance and another 1/4 of the remaining 75% in each following year.

B. Employee stock options

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	No. of options (shares)	Weighted-average exercise price (US$)	No. of options (shares)	Weighted-average exercise price (US$)
Options outstanding opening balance at January 1	10,617,828	$ 0.3322	8,058,133	$ 0.0990
Options granted	6,814,000	1.9410	5,909,100	0.5521
Options exercised	(466,220)	0.0925	(953,843)	0.0894
Number of shares forfeited	(1,273,265)	0.7969	(858,656)	0.0839
Options outstanding at end of the period	15,692,343	1.0056	12,154,734	0.3211
Options exercisable at end of the period	2,419,779	0.0952	1,504,991	-

(a) The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		June 30, 2017	
Issue date approved	Expiry date	No. of shares	Exercise price (in dollars)
2012.12~ 2013.12	2022.12~ 2023.12	638,447	US$0.00005
2014.2	2024.2	1,834	US$0.00005
2014.8	2024.8	3,641,162	US$0.125
2015.3	2025.3	351,500	US$0.125
2015.4	2025.4	10,000	US$0.125
2016.5	2026.5	3,639,500	NT$18
2016.8	2026.8	275,000	NT$18
2016.9	2026.9	290,900	NT$18
2016.11	2026.11	315,000	NT$18
2017.2	2027.2	2,664,000	NT$65
2017.5	2027.5	145,000	NT$65
2017.6	2027.6	3,720,000	NT$55

Issue date approved	Expiry date	December 31, 2016		June 30, 2016	
		No. of shares	Exercise price (in dollars)	No. of shares	Exercise price (in dollars)
2012.12~ 2013.12	2022.12~ 2023.12	765,380	US$0.00005	1,117,050	US$0.00005
2014.2	2024.2	1,834	US$0.00005	2,834	US$0.00005
2014.8	2024.8	4,084,114	US$0.125	4,644,250	US$0.125
2015.3	2025.3	377,500	US$0.125	411,500	US$0.125
2015.4	2025.4	14,000	US$0.125	70,000	US$0.125
2016.5	2026.5	4,494,100	NT$18	5,909,100	NT$18
2016.8	2026.8	275,000	NT$18	-	-
2016.9	2026.9	290,900	NT$18	-	-
2016.11	2026.11	315,000	NT$18	-	-

(b) The fair value of stock options granted on grant date is measured using the Binomial pricing model or Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Price (in dollars)	Price volatility	Option life	Expected dividends	Interest rate	Fair value per unit (in dollars)
Employee stock options - A	2012.12~ 2014.2	US$0.5 (formerly: US$1)	US$0.00005 (formerly: US$0.0001)	31.04%	10 years	0%	1.78%	US$0.49995 (formerly: US$0.9999)
Employee stock options - B	2014.8~ 2015.4	US$0.5375 (formerly: US$1.075)	US$0.125 (formerly: US$0.25)	41.82%	10 years	0%	2.40%	US$0.4515 (formerly: US$0.903)
Employee stock options - C1	2016.5	NT$81.00	NT$18	33.52% ~ 33.65%	6.17 years ~ 6.27 years	0%	0.72% ~ 0.73%	NT$64.14 ~64.17
Employee stock options - C2	2016.8	NT$68.93	NT$18	34.41%	6.25 years	0%	0.62%	NT$52.25
Employee stock options - C3	2016.9	NT$68.09	NT$18	34.60%	6.27 years	0%	0.68%	NT$51.50
Employee stock options - C4	2016.11	NT$68.25	NT$18	35.59%	6.26 years	0%	0.91%	NT$51.97
Employee stock options - C+1	2017.2	NT$72.00	NT$65	35.76%	6.27 years	0%	1.02%	NT$28.84
Employee stock options - C+2	2017.5	NT$61.00	NT$65	36.80%	6.27 years	0%	0.96%	NT$21.56
Employee stock options - D	2017.6	NT$54.00	NT$55	36.94%	6.27 years	0%	0.91%	NT$20.03

C. Employee restricted shares

Items	Six months ended June 30, 2017	Six months ended June 30, 2016
	No. of shares	No. of shares
Employee restricted shares at January 1	-	2,625,000
Employee restricted shares at December 31	-	2,625,000

The Black-Scholes pricing model was adopted in the Company's share-based payment transactions granted on grant date. 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	Risk-free interest rate	Fair value per unit (in dollars)
Restricted stocks to employees	2012.7.12 ~2012.12.4	US$0.0001 (formerly: US$0.0002)	US$0.00005 (formerly: US$0.0001)	45.15%	1-4 years	0%	0.20% ~0.49%	US$0.0001 (formerly: US$0.0002)

D. For the six months ended June 30, 2017 and 2016, expense incurred on the abovementioned share-based payment transactions amounted to $55,754 and $30,319, respectively.

(16) Share capital

A. As of June 30, 2017, the Company's authorised capital was $3 billion, consisting of 300 million shares of ordinary stock (including 45 million shares reserved for employee stock options), and the paid-in capital was $2,198,348 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:

	Six months ended June 30, 2017	Six months ended June 30, 2016
At January 1	219,368,566	189,585,803
Share options exercised	466,220	953,843
At June 30	219,834,786	190,539,646

B. The Board of Directors during its meeting in July, 2012 adopted a resolution to issue employee restricted ordinary shares (see Note 6(15)). The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

C. On May 31, 2016, the shareholders resolved during their meeting to issue ordinary shares through private placement. The maximum number of shares to be issued is 50 million shares. The capital increase became effective on December 2, 2016. The amount of capital raised through the private placement was $2,557,360 by issuing 28,415,111 shares at a share premium of $90 (in dollars) per share. Pursuant to the Securities and Exchange Law, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

(17) Capital surplus

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 Act requires that the amount of capital surplus to be capitalized 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.

(18) Retained earnings

A. Unless otherwise provided in the Applicable Listing Rules, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the Shareholders in the general meeting for approval:

   (a) to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;

   (b) to set off cumulative losses of previous years (if any);

   (c) to set aside ten percent (10%) as Legal Reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such Legal Reserve equals to the total paid-up capital of the Company;

   (d) to set aside an amount as Special Reserve pursuant to the Applicable Listing Rules and requirements of the Commission; and

   (e) with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus any previously undistributed cumulative Retained Earnings), the Board of Directors may, after taking the Company's profit earning, capital structure, and future operation needs into consideration, present a proposal to distribute to the Shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares, and, subject to Cayman Islands law, the amount of dividends shall be at least ten percent (10%) of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of ten percent (10%) and a maximum of one hundred percent (100%) of the total dividends allocated to Shareholders.

B. For the years ended December 31, 2016 and 2015, the Company did not appropriate earnings due to accumulated deficit.

C. On May 31, 2016, the shareholders at their meeting resolved to offset capital surplus of $580,379 against accumulated deficit.

D. On June 28, 2017, the shareholders at their meeting resolved to offset capital surplus of $1,106,544 against accumulated deficit.

(19) Other equity items

	2017
	Currency translation
At January 1	($ 23,594)
Currency translation differences	
-Group	(211,760)
At June 30	($ 235,354)

	2016	
	Currency translation	Employee restricted shares - unearned compensation
At January 1	$ 31,710	($ 2)
Earned during this period	-	1
Currency translation differences		
-Group	(44,655)	-
At June 30	($ 12,945)	($ 1)

(20) Operating revenue

	Six months ended June 30	
	2017	2016
Revenue from licence and joint development	$ 77,435	$ -
Sales revenue	28,422	-
Service revenue	30,166	44,301
	$ 136,023	$ 44,301

Please refer to Note 6(13) for the details about the revenue from licence and joint development recognised for the six months ended June 30, 2017 and 2016.

(21) Other income

	Six months ended June 30	
	2017	2016
Interest income		
Interest income from bank deposits	$ 20,331	$ 2,449
Government grants revenue	7,711	171
Other income	179	278
	$ 28,221	$ 2,898

(22) Other gains and losses

	Six months ended June 30	
	2017	2016
Losses on disposal of property, plant and equipment	($ 121)	$ -
Net currency exchange losses	(3,813)	(15,794)
	($ 3,934)	($ 15,794)

(23) Finance costs

	Six months ended June 30	
	2017	2016
Interest expense:		
Bank borrowings	$ 8,006	$ -
Interest expenditure of financing lease	16,095	-
Finance costs	$ 24,101	$ -

(24) Expenses by nature

	Six months ended June 30	
	2017	2016
Employee benefit expense	$ 243,489	$ 167,749
Depreciation charges on property, plant and equipment	$ 113,551	$ 52,294
Amortisation charges on intangible assets	$ 5,002	$ 4,715

(25) Employee benefit expense

	Six months ended June 30	
	2017	2016
Wages and salaries	$ 222,896	$ 154,834
Labour and health insurance fees	7,022	5,786
Pension costs	5,543	3,070
Other personnel expenses	8,028	4,059
	$ 243,489	$ 167,749

A. Unless otherwise provided in the Applicable Listing Rules, where the Company makes profits before tax for the annual financial year, the Company shall allocate:

(a) at least one percent (1%) of such annual profits before tax for the purpose of employees' remunerations (including employees of the Company and/or any Affiliated Company) (the "Employees' Remuneration"); and

(b) at most 3% of such annual profits before tax for the purpose of Directors’ remunerations (the “Directors’ Remuneration”).

If the Company has accumulated losses of the previous years for the annual financial year, the Company shall set aside the amount of such accumulated losses prior to the allocation of Employees' Remuneration and Directors' Remuneration. The Employees' Remuneration and the Directors' Remuneration may be distributed upon resolution by a majority vote at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors. The resolutions of the Board of Directors regarding the distribution of the Employees' Remuneration and Directors' Remuneration shall be reported to the Shareholders at the general meeting after such Board resolutions are passed.

B. For the six months ended June 30, 2017 and 2016, the Company did not appropriate employees' compensation and directors' remuneration due to the deficit.

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

(26) Income tax

A. Components of income tax expense:

	Six months ended June 30	
	2017	2016
Income tax expense	$ -	$ -

B. Income tax returns of the subsidiary, JHL Biotech Inc., Taiwan, through 2015 have been assessed and approved by the Tax Authority.

(27) Loss per share

	Six months ended June 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in NTD dollars)
Loss attributable to the parent	($ 520,733)	219,697	($ 2.37)

	Six months ended June 30, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in NTD dollars)
Loss attributable to the parent	($ 445,708)	187,519	($ 2.38)

As the Company has accumulated deficit, the potential common shares have anti-dilutive effect.

(28) Non-cash transactions

A. Investing activities with partial cash payments

	Six months ended June 30	
	2017	2016
Purchase of property, plant and equipment (including prepayments on equipment)	$ 65,658	$ 490,506
Opening balance of payable on equipment	34,209	21,763
Ending balance of payable on equipment	(11,333)	(66,503)
Opening balance of payable on finance lease	392,329	-
Ending balance of payable on finance lease	(379,346)	-
Cash paid during the period	$ 101,517	$ 445,766

	Six months ended June 30	
	2017	2016
Purchase of intangible assets	$ 3,472	$ 7,137
Opening balance of payable	262	-
Ending balance of prepayments on intangible assets	-	247
Ending balance of payable	(1,118)	(473)
Cash paid during the period	$ 2,616	$ 6,911

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Six months ended June 30	
	2017	2016
Salaries and other short-term employee benefits	$ 76,267	$ 43,829
Post-employment benefits	138	112
Share-based payments	(174)	12,612
	$ 76,231	$ 56,553

As of June 30, 2017, December 31, 2016 and June 30, 2016, there were no significant related party transactions.

8. PLEDGED ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016	Purpose
Time deposits (Shown as "Other current financial assets")	$ 154,559	$ 220,322	$ 217,890	Short-term borrowings
Time deposits (Shown as "Other current financial assets")	392,249	414,118	415,156	Long-term borrowings
	$ 546,808	$ 634,440	$ 633,046	

9. COMMITMENTS AND CONTINGENT LIABILITIES

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

	June 30, 2017	December 31, 2016	June 30, 2016
Property, plant and equipment	$ 61,318	$ 30,185	$ 265,778

(2) As of June 30, 2017, December 31, 2016 and June 30, 2016, the information on the Group's commitments on contingent royalty is provided in Note 6(7).

(3) The Group's future minimum lease commitments for the lease of office are as follows:

Year	June 30, 2017	December 31, 2016	June 30, 2016
Within 1 year	$ 9,768	$ 9,736	$ 10,425
Within 1~3 years	6,543	9,941	12,434
Within 3~5 years	887	1,774	2,661
	$ 17,198	$ 21,451	$ 25,520

(4) The subsidiary, Xikang (Wuhan) Biopharmaceutical Co., Ltd, entered into a lease agreement in relation to construction, repurchase and lease of plant. Please refer to Notes 6(8) and (11) for details.

(5) As of June 30, 2017 and 2016, the Group has provided a letter of guarantee issued by a bank amounting to US $16,182,087 for its long-term borrowings.

(6) Through JHL Biotech Inc. (hereinafter "JHL Biotech"), monoclonal antibody JHL1101 (rituximab biosimilar) has been approved for biosimilar clinical trial in Europe. JHL Biotech entered into related clinical trial contracts in the amount of EUR 4,132,063 and US$12,267,141. As of June 30, 2017, JHL Biotech has paid EUR 2,127,419 and US$3,766,970, respectively.

(7) Through subsidiary, Xikang (Wuhan) Company, monoclonal antibody JHL1101 (rituximab biosimilar) has been approved for biosimilar clinical trial in China and JHL1149 (Avastin) has begun preparation for the China CFDA approval process. Xikang (Wuhan) Company entered into related clinical trial contracts in the amount of RMB 15,894,954 and as of June 30, 2017, has paid RMB 9,010,351.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's present objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital and provide returns for shareholders if the operation turns to profit. In order to achieve the aforementioned objectives, the Company goes through issuance of shares, bank borrowings, issuance of bonds, disposal of assets in order to repay loans or obtain additional operating capital, distribution of dividends and capital reduction, but not limited to above , to maintain or adjust the capital structure. The Group monitors capital on the basis of the debt equity ratio. This ratio is calculated as 'net debt' divided by 'total equity'. Net debt is calculated as total liabilities less cash and cash equivalents, and total equity is calculated as 'total equity' as shown in the balance sheet. For the six months ended June 30, 2017, the Group's strategy, which was unchanged, was to maintain the debt equity ratio within certain percentage.

(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, investments in debt instruments without active markets-current, accounts receivable, other receivables, other financial assets-current, guarantee deposits paid, other financial assets-non-current, short-term borrowings, accounts payable, other accounts payable and long-term borrowings) are approximate to their fair values.

B. Financial risk management policies

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 minimize potential adverse effects on the Group's financial position and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

ii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD and 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:

(Foreign currency: functional currency)	June 30, 2017 Foreign currency amount (in dollars)	Exchange rate	NTD (in thousands)
Financial assets			
Monetary items			
USD:NTD	$ 10,132,155	30.42	$ 308,220
USD:RMB	2,918,209	6.78	19,785
Financial liabilities			
Monetary items			
USD:NTD	($ 177,318)	30.42	($ 5,394)
USD:RMB	(10,926,234)	6.78	(74,080)
EUR:NTD	(22,841)	34.72	(793)

(Foreign currency: functional currency)	December 31, 2016 Foreign currency amount (in dollars)	Exchange rate	NTD (in thousands)
Financial assets			
Monetary items			
USD:NTD	$ 8,915,297	32.25	$ 287,518
USD:RMB	6,613,382	6.95	45,963
Financial liabilities			
Monetary items			
USD:NTD	($ 442,470)	32.25	($ 14,270)
USD:RMB	(21,950,922)	6.95	(152,559)
EUR:NTD	(494,265)	33.90	(16,756)

(Foreign currency: functional currency)	June 30, 2016 Foreign currency amount (in dollars)	Exchange rate	NTD (in thousands)
Financial assets			
Monetary items			
USD:NTD	$ 2,812,457	32.28	$ 90,786
USD:RMB	2,851,284	6.64	18,933
Financial liabilities			
Monetary items			
USD:NTD	($ 307,785)	32.28	($ 9,935)
USD:RMB	(14,653,964)	6.64	(97,302)

iii. The unrealised exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the six months ended June 30, 2017 and 2016 amounted to ($6,564) and $18,381, respectively.

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

(Foreign currency: functional currency)	June 30, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 3,082	-
USD:RMB	1%	198	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 54)	-
USD:RMB	1%	(741)	-
EUR:NTD	1%	(8)	-

(Foreign currency: functional currency)	December 31, 2016		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 2,875	-
USD:RMB	1%	460	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 143)	-
USD:RMB	1%	(1,526)	-
EUR:NTD	1%	(168)	-

	June 30, 2016		
	Sensitivity analysis		
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 908	-
USD:RMB	1%	189	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 99)	-
USD:RMB	1%	(973)	-

Interest rate risk

i. The Group's interest rate risk arises from short-term borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at floating rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

ii. At June 30, 2017 and 2016, if interest rates on borrowings had been 1 basis point (0.01%) higher with all other variables held constant, non-operating expenses for the six-month periods ended June 30, 2017 and 2016 would have been $36 and $65 higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing 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 in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including committed transactions. For banks and financial institutions, only independently rated parties with good ratings are accepted.

ii. For the six months ended June 30, 2017 and 2016, management does not expect any significant losses from non-performance by these counterparties.

iii. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(3).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled 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 and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

June 30, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	$ 68,678	$ -	$ -	$ -	$ 68,678
Accounts payable	55,730	-	-	-	55,730
Other payables	151,951	-	-	-	151,951
Finance lease liabilities	-	486,548	-	-	486,548
Long-term borrowings (including current portion)	227,123	74,251	-	-	301,374

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	$ 321,063	$ -	$ -	$ -	$ 321,063
Accounts payable	55,336	-	-	-	55,336
Other payables	255,743	-	-	-	255,743
Finance lease liabilities	503,201	-	-	-	503,201
Long-term borrowings (including current portion)	163,625	160,519	157,415	-	481,559

June 30, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	$ 181,089	$ -	$ -	$ -	$ 181,089
Accounts payable	76,013	-	-	-	76,013
Other payables	168,434	-	-	-	168,434
Long-term borrowings (including current portion)	86,847	162,551	237,872	-	487,270

13. SUPPLEMENTARY DISCLOSURES

(1) Measurement of segment information

(The following information is provided for reference; the following inter-company transactions have been eliminated when preparing the consolidated financial statements.)

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

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 exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

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: Please refer to table 4.

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

J. Significant inter-company transactions during the reporting periods (disclosure based on the amount which is over than $10,000): Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

The accounting policies of operating segments are in agreement with the significant accounting policies summarized in Note 4. The post-tax net income is used to measure the Company's operating segment profit (loss) and performance of the operating segments.

(3) Reconciliation for segment income (loss)

The segment assets, liabilities and loss, net of tax that the Group reports to the chief operating decision-maker are measured in a manner consistent with that in the balance sheet and the statement of comprehensive income, thus, no reconciliation is needed.