SCICLONE PHARMACEUTICALS INC

FORM 10-K
(Annual Report)

Filed 03/09/17 for the Period Ending 12/31/16

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Telephone	650-358-3456
CIK	0000880771
Symbol	SCLN
SIC Code	2834 - Pharmaceutical Preparations
Industry	Pharmaceuticals
Sector	Healthcare
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 201 6

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☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____to _____.

Commission file number 0-19825

SciClone Pharmaceuticals, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**94-3116852**
(State or other jurisdiction of Incorporation or organization)	*(I.R.S. Employer Identification No.)*
950 Tower Lane, Suite 900 Foster City, California	**94404**
(Address of principal executive offices)	*(Zip Code)*

(650) 358-3456

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.001 par value	**The NASDAQ Stock Market LLC .**
(Title of Class)	***(Name of each exchange on which registered)***

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of SciClone Pharmaceuticals, Inc. was approximately $ 670 , 206 ,000 as of June 30, 2016 , based upon the closing price of SciClone Pharmaceuticals Inc.'s Common Stock on The NASDAQ Global Select Market on such date. Shares of Common Stock held by each executive officer and director have been excluded from the calculation because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 7 , 2017 , 51,505,795 shares of the Registrant's Common Stock , $0.001 par value, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference from the definitive proxy statement for the Company's 201 7 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal y ear covered by this Annual Rep or t on F orm 10-K.

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As used in this Annual Report, the terms "we," "us," "our," the "Company" and "SciClone" mean SciClone Pharmaceuticals, Inc. and its subsidiaries (unless the context indicates a different meaning). SciClone, SciClone Pharmaceuticals, the SciClone Pharmaceuticals design, the SciClone logo and ZADAXIN ® (ZADAXIN) are registered trademarks of SciClone Pharmaceuticals, Inc. in the United States and numerous other countries. All other Company names and trademarks included in this Annual Report are trademarks, registered trademarks or trade names of their respective owners.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on our current expectations, estimates and projections about our business, industry, management's beliefs and certain assumptions made by us. Words such as "may," "will," "would," "could," "should," "might," "believes," "estimates," "projects," "potential," "expects," "plans," "anticipates," "intends," "continues," "forecast," "designed," "goal," " approximately " or the negative of those words or similar expressions are intended to identify forward-looking statements, including those statements we make regarding our future financial results. These statements are subject to risks and uncertainties that are difficult to predict and actual outcomes may differ materially.

These include risks and uncertainties relating to:

- our substantial dependence on sales of ZADAXIN in China and renewal of our Import Drug License with respect to ZADAXIN ;
- government regulatory action affecting our Company or our drug products or our competitors' drug products in China, the U . S . and other foreign countries, including the effect of government initiatives in China, particularly the Chinese government's increasing regulation of the pharmaceutical industry through anti-corruption activities;
- Chinese government regulatory actions intended to reduce pharmaceutical prices such as the reduction in some provinces of the governmentally permitted maximum listed price for our products and increased oversight of the health care market and pharmaceutical industry;
- prospects for ZADAXIN and our plans for its enhancement and commercialization as well as our expectations regarding other products;
- future size of the hepatitis B virus ("HBV") and hepatitis C virus ("HCV") and other markets, particularly in China;
- anticipated product sales of current or anticipated products;
- the sufficiency of our resources to complete clinical trials and other new product development initiatives; government regulatory actions that may affect product reimbursement, product pricing or otherwise affect the scope of our sales and marketing; the timing and outcome of clinical trials;
- t he dependence of our current and future revenue and prospects on third-party license, promotion or distribution agreements, including the need to renew such agreements, enter into similar agreements, or end arrangements that SciClone does not believe are beneficial;
- the effects of the reso lved U.S. Securities and Exchange Commission (" SEC ") and U.S. Department of Justice (" DOJ ") investigations and our ability to continue to comply with applicable laws and regulations, and carry out the continued reporting responsibilities agreed to with the SEC;
- announcement and completion of corporate acquisition, merger, licensing or marketing arrangements, or sales of assets;
- our ability to implement and maintain controls over our financial reporting;
- operating an international business, particularly in China including pricing regulations, slow payment cycles and currency exchange fluctuations;
- uncertainty in the prospects for unapproved products, including uncertainties as to pricing and competition and risks relating to the clinical trial process and related regulatory approval process and the process of initiating trials at, and enrolling patients at, clinical sites;
- research and development and other expense levels;
- the ability of our suppliers to continue financially viable production of our products;
- the allocation of financial resources to certain trials and programs, and the outcome and expenses related to litigation; and
- other factors discussed in this Report under Part I, Item 1A "Risk Factors" and Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations".

These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors including, but not limited to, those described under the caption "Risk Factors" in this Annual Report on Form 10-K. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

PART I

Item 1. *Business*

Overview

SciClone Pharmaceuticals, Inc. (NASDAQ: SCLN) is a United States ("U . S . ")-headquartered, China-focused, specialty pharmaceutical company with a substantial commercial business and a product portfolio of therapies for oncology, infectious diseases and cardiovascular disorders. We are focused on continuing to grow our revenue and profitability. Our business and corporate strategy is focused primarily on the People's Republic of China ("China" or "PRC") where we have built a solid reputation and established a strong brand through many years of experience marketing our lead product, ZADAXIN (thymalfasin). In addition, we have an established business model with large pharmaceutical partners to promote and sell products. We believe our sales and marketing strengths position us to benefit from the long-term expansion of the pharmaceutical market in China. The Chinese pharmaceutical market is estimated to rise at a compound annual growth rate of 8%, reaching approximately $200 billion in 2020, according to a new report from AskCI, a Chinese market research and management consulting firm . We seek to expand our presence in China and increase revenues by growing sales and profits of our current product portfolio, launching new products from our development pipeline, adding new, profitable product services agreements and leveraging our strong cash position to in-license additional products.

We operate in two segments which are generally based on the nature and location of our customers: 1) China and 2) the Rest of the World, which includes our U . S . and Hong Kong operations.

We have two categories of revenues: "product sales revenues" and "promotion services revenues." Our product sales revenues result from our proprietary and in-licensed products, including our lead product, ZADAXIN; DC Bead ®, a product for the embolization of malignant hypervascularized tumors, and oncology products from Pfizer International Trading (Shanghai) Ltd. ("Pfizer"). ZADAXIN has the highest margins in our portfolio as it is a premium product sold exclusively by SciClone. Our "promotion services revenues" result from fees we receive for exclusively promoting oncology and cancer supportive care products in China for Baxter International, Inc. ("Baxter"). We recognize promotion services revenues as a percentage of our collaborator's product sales revenue for these exclusively promoted products.

ZADAXIN is approved in over 30 countries and may be used for the treatment of HBV, HCV, and certain cancers, and as an immune system enhancer according to the local regulatory approvals we have in these countries. In China, thymalfasin is included in the treatment guidelines issued by the Ministry of Health ("MOH") for liver cancer, as well as guidelines for treatment of chronic HBV (issued by both the Chinese Medical Association and the Asian-Pacific Association for the Study of the Liver) and invasive fungal infections of critically ill patients (issued by the Chinese Medical Association). Our sales force is focused on increasing sales to the country's largest hospitals (class 3A with over 500 beds) as well as mid-size hospitals (class 2A). These hospitals serve Tier 1 and Tier 2 cities located mostly in the eastern part of China, which are the largest and generally have the most affluent populations. We are widening our market strategies by piloting e-commerce approaches to reach customers. We are also seeking to expand the indications for which ZADAXIN could be used, including sepsis, and on September 26, 2016, we announced the first patient has been treated in a clinical trial in sepsis using ZADAXIN in China.

We initiated sales and recorded our first product revenue from DC Bead in the third quarter of fiscal 2015. The China Food and Drug Administration had approved the registration of DC Bead for the embolization of malignant hypervascularized tumors in August 2014. DC Bead may be used to treat liver cancer, a large and growing indication in China, and we believe our oncology sales team and academic marketing liaisons have established high quality relationships with medical professionals and institutions that specialize in cancer treatment, which we believe will be a valuable asset as we continue commercial sales of DC Bead.

We are also pursuing the registration of Loramyc ®, a mucoadhesive tablet formulation of miconazole lauriad to treat oropharyngeal candidiasis.

Our agreement with Baxter is for a 5-year term, through December 2017, and our agreement with Pfizer is for a 5-year term, through June 2019. We continue to seek in-licensing arrangements for well-differentiated products at various stages of development that, if not yet approved, have a defined regulatory approval pathway in China, to increase our revenues and profitability.

Our I n- Licensed Drug Candidate s in Clinical Development Include the Following:

PT-112: On September 26, 2016, we also announced the first patient has been treated in the Phase 1 proof-of-concept trial of PT-112, a multi-targeted platinum-pyrophosphate anticancer agent being developed for patients with advanced solid tumors, in Taiwan. PT-112 is a key early-stage asset supporting our strategy to expand our oncology portfolio and drive long-term growth. We obtained, in 2015, exclusive development and commercialization rights from Phosplatin Therapeutics to PT-112 for Greater China (mainland China, Hong Kong, and Macau) and Vietnam, along with the exclusive option to expand the territory to include South Korea and Taiwan.

SGX942: On September 12, 2016, we and Soligenix, Inc. announced that we entered into an exclusive license agreement granting rights to SciCl one to develop, promote, market , distribute and sell SGX942 (dusquetide), a novel, first-in-class therapy being developed for the treatment of oral mucositis in patients with head and neck cancer. The licensing agreement includes China, Hong Kong and Macau, Taiwan, South Korea and Vietnam (the "Territory"). This exclusive agreement builds on an existing collaboration, in which we provided our complete oral mucositis clinical and regulatory data library to Soligenix in exchange for certain, previously undisclosed, commercialization rights to SGX942 in the Greater China market (the "2013 exchange") . The Phase 2 results reported by Soligenix, Inc. showed a significant reduction in the duration of severe oral mucositis in patients receiving chemoradiation therapy for treatment of their head and neck cancer.

Under the terms of the agreement, we transferred cash consideration of $3 million to Soligenix for 3,529,412 shares of Soligenix common stock (constituting 9.43% of Soligenix stock issued and outstanding immediately following the issuance of new shares to SciClone) and expanded rights for SGX942 in Taiwan, South Korea, and Vietnam, as we had previously obtained rights for Greater China in the 2013 exchange. Soligenix declared a 1 for 10 reverse stock split in October 2016, resulting in our ownership of 352,94 2 shares . W e will be responsible for all aspects of development, product registration and commercialization in the Territory, having access to data generated by Soligenix. In the future, we will pay to Soligenix royalties on net sales, and Soligenix will supply commercial drug product to us on a cost-plus basis, while maintaining worldwide manufacturing rights.

VIBATIV ® (telavancin): In May 2015, Theravance Biopharma, Inc. ("Theravance Biopharma") granted SciClone exclusive development and commercialization rights to VIBATIV (telavancin) in China, as well as Hong Kong, Macao, Taiwan and Vietnam, in exchange for upfront and regulatory milestone payments totaling $6 million. SciClone will be responsible for all aspects of development and commercialization in the partnered regions, including pre- and post-launch activities and product registration. SciClone will initially develop VIBATIV for hospital-acquired bacterial pneumonia and ventilator-associated bacterial pneumonia, and additional indications may include complicated skin and skin structure infections and potentially bacteremia. Theravance Biopharma will sell to SciClone all clinical and commercial product required to develop and commercialize VIBATIV in China and our other licensed territories. We anticipate commencing a bridging trial for VIBATIV.

Angiomax ® (bivalirudin) and Cleviprex ® (clevidipine) : In December 2014, we entered into a strategic partnership with The Medicines Company for two cardiovascular products in China. The partnership includes agreement s granting us a license and the exclusive rights in China to promote two products including 1) Angiomax (bivalirudin) for Injection, an anticoagulant indicated in patients undergoing percutaneous coronary intervention (PCI) with provisional use of glycoprotein IIb/IIIa inhibitor (GPI) and in patients with, or at risk of, heparin-induced thrombocytopenia and thrombosis syndrome undergoing PCI for which a Phase 3 registration trial was completed in China . W e have received Clinical Trial A pplication (" CTA ") approval and a Clinical Trial Waiver in December 2016 from the China Food and Drug Administration ("CFDA") and are in the process of preparing a New Drug Application ("NDA"), and 2) Cleviprex (clevidipine) Injectable Emulsion, a third-generation dihydropyridine calcium channel blocker indicated for the reduction of blood pressure when oral therapy is not feasible or desirable for which a CTA for China was filed in 2013. We received CTA approval from the CFDA in early 2016 and are preparing a clinical study. As Chiesi USA, Inc. and its parent company, Chiesi Farmaceutici S.p.A. ("Chiesi") , acquired the rights to Cleviprex in June 2016 from T he Medicines Company, SciClone will now be working together with Chiesi and The Medicines Company to progress the Cleviprex clinical study going forward. Under the terms of the agreement, which apply to Chiesi for Cleviprex, we will be responsible for all aspects of commercialization, including pre-and post-launch activities, for both products (Cleviprex and Angiomax) in the China market (excluding Hong Kong and Macao). We have also agreed to participate in the China registration process for both products. Financial

terms of the agreement s for the two products , in addition to net sales royalties payable to The Medicines Company and /or Chiesi , include the following additional payments to The Medicines Company and /or Chiesi: an upfront payment made in the fourth quarter of 2014; a project support services fee; and regulatory/commercial success milestone payments of up to an aggregate of $50.5 million.

Neucardin ™: In May 2013, we entered into a framework agreement with Zensun (Shanghai) Science & Technology Co., Ltd. ("Zensun") for the exclusive promotion, marketing, distribution and sale of Neucardin in China, Hong Kong and Macao. Neucardin is a novel, first-in-class therapeutic for the treatment of patients with intermediate to advanced heart failure, for whic h an NDA was submitted to and accepted for review by the CFDA in 2012. In December 2013, the CFDA informed Zensun that its Phase 2 data is insufficient, and has asked Zensun to submit a new NDA once the ongoing Phase 3 study reached its endpoints. As part of our agreement with Zensun, we agreed to loan up to $12 million to Zensun, of which $12 million had been loaned as of December 31 , 2016 (refer to Note 6 to the consolidated financial statements appearing under Part I I , Item 8 for further information regarding the Zensun loans).

ABTL-0812: Our license agreement with Ability Pharmaceuticals SL grants us a license and the exclusive rights to develop, manufacture and commercialize ABTL-0812 in China, Macau, Hong Kong, Taiwan, and Vietnam . ABTL-0812 is a first-in-class P13K/Akt/mTOR signaling pathway inhibitor for solid tumors , important in regulating the cell cycle . We are currently preparing for a phase 1 proof-of-concept trial in Taiwan and Mainland China.

Governmental Policy Changes in China

G overnmental policy changes in China have eliminated national regulation of the maximum retail drug prices for most drugs effective as of June 1, 2015. Decisions by provincial authorities appear to be emerging as the primary governmental mechanism for price controls. As an example, the Zhejiang provincial authority announced a price limitation for sales of ZADAXIN in the province in April 2015 that became effective in May 2015. We were able to mitigate the impact of this price limitation by shifting an equitable portion of the burden of the price reduction to our distributor in our sales channel; accordingly, the impact of the price reduction for the year ended December 31, 2015 was $2.8 million. Under our new contractual arrangement with Sinopharm, effective January 1, 2016, the lower tender price is reflected in a lower base invoice price to Sinopharm . Sinopharm is then invoiced for the portion of the price that may result from situations where the provincial tender price is greater than the reference (baseline) tender price at a later time, and such amount will be recognized as revenue after the amount has been agreed upon with them. We anticipate that provincial pricing decisions will continue to be a significant factor in the China pharmaceutical market for the foreseeable future. The impact of such decisions on our future results is unpredictable, but we expect that pricing pressures on revenue in 201 7 will be offset at least in significant part through sharing of the burden with our China distributor and potentially through volume increases. However, in the future, prices could be reduced to levels significantly below those that would prevail in an unregulated market, which may limit the growth of our revenues or cause them to decline.

BUILDING A LEADING INTERNATIONAL PHARMACEUTICAL BUSINESS

Our Established Business in China

In China, we have established product revenue and positive cash flow. We are committed to building on this base and introducing additional pharmaceutical products to meet the country's evolving healthcare needs. China state leaders are continuing to implement a health care reform plan which, among other things, is seeking to expand patient access to pharmaceuticals. We believe the China pharmaceutical market may grow close to 10% annually over the next several years.

We launched ZADA XIN in China in 1996 and by 201 6 our annual worldwide sales of this product reached more than $ 150 million , 95 % of which were sales to China. Today, ZADAXIN is one of the largest imported pharmaceutical products in China, measured by revenue. We estimate our market share of thymalfasin by units is approximately 1 7 %. Over the last decade, we have established a sales and marketing organization and strong importation relationships with distribution channels that have facilitated strong growth in sales, and profitability, and substantial cash flow. Through our extensive China sales organization of approximately 54 0 professionals including approximately 46 0 sales personnel, we believe we have developed a good reputation and relationships with physicians and administrators. We serve approximately 2,000 hospitals with approximately 300 of the largest hospitals in the major cities in China contributing approximately 80% of our business. We have built a strong commercial presence in liver disease, cancer and the intensive care setting. We are expanding geographically in China to position the Company for further growth. ZADAXIN has strong brand recognition and is positioned as a high-quality, imported product. ZADAXIN is approved in China for

the treatment of HBV a nd for use as a n immune system enhancer . It is also included in the treatment guidelines issued by the MOH for liver cancer. In China, orders for ZADAXIN are filled largely by distributors and sub-distributors which purchase ZADAXIN from our selected, established, government-licensed importing agents.

China accounted for approximately 95 %, 96 %, and 97% of our net revenues for each of the years ended December 31, 201 6 , 2015 , and 201 4 , respectively . In 2016, 2015 and 2014 , Sinopharm Holding Lingyun Biopharmaceutical (Shanghai) Co., Ltd. ("Sinopharm") accounted for 93 %, 97 % and 94 % of our net revenues , respectively. No other customers accounted for more than 10% of our net revenues in those periods. As of December 31, 201 6 , approximately $39.5 million or 95 % of our gross accounts receivable were attributable to Sinopharm.

The Chinese government is continuing its efforts to reduce overall health care costs, including pricing controls on pharmaceutical products. Individual provinces in China and, in some cases, individual hospitals can and have established pricing requirements for a product to be included on formulary lists. In some cases, these prices have been significantly lower than our distributors have been selling ZADAXIN, in which case we have been removed from formulary lists, which consequently has reduced sales to certain hospitals and could adversely affect our future sales. The price for pharmaceutical products is regulated in China. The process and timing for price restrictions is unpredictable. In addition, we are aware that ZADAXIN may be used on an off-label basis, and the Chinese government's pricing, reimbursement or other actions might reduce such uses.

International Sales and Marketing

ZADAXIN is approved in over 30 countries, primarily in China and countries in the Pacific Rim, Latin America, Eastern Europe, and the Middle East regions. ZADAXIN's approvals are principally for the treatment of HBV and as a n immune system enhancer , with additional approvals in certain countries for the treatment of HCV, or as a chemotherapy immune enhancer for cancer patients with weakened immune systems. We sell ZADAXIN in various international markets through our wholly owned subsidiary, SciClone Pharmaceuticals International Ltd. ("SPIL").

SPIL is registered in the Cayman Islands and its principal office is in Hong Kong. SPIL orders ZADAXIN from our European manufacturer and contracts with a third party for the storage of our finished goods inventory at warehousing facilities in Hong Kong. SPIL then distributes our product worldwide from these warehousing facilities based on purchase orders from our customers. Under our established distribution arrangements, local importers and distributors are responsible for the importation, inventory, distribution and invoicing of ZADAXIN after importation.

Product sales of $ 150 .1 million , $14 6.1 million, and $126.1 million for the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively, were from sales of ZADAXIN.

SciClone's Lead Product ZADAXIN (Thymalfasin)

ZADAXIN is SciClone's synthetic preparation of thymalfasin, scientifically referred to as thymosin alpha 1, a thymic peptide which circulates in the blood naturally and is instrumental in the immune response to certain cancers and infections. ZADAXIN is administered as a subcutaneous injection. Published scientific and clinical studies have shown that thymalfasin helps to stimulate and direct the body's immune response to eradicate infectious diseases, such as HBV, HCV, bacterial, and fungal infections; to fight certain cancers such as melanoma and liver cancer; and to enhance response to vaccines. Thymalfasin appears to be well tolerated, with few reports of significant side effects or toxicities associated with its use.

Thymalfasin elicits a variety of immune system responses. Acting on intracellular signaling pathways, thymalfasin increases the Th1 subset of T-helper cells that assist with fighting invading viruses and cancers and leads to a boost in production of antibodies in response to vaccines. Thymalfasin also results in decreased CD-4 cell differentiation into the Th2 subset of CD-4 helper cells that produce cytokines, such as IL-4, which are associated with persistence of viral infection, and stimulates several other components of the immune response that help the body attack and kill virally-infected or tumor cells.

Thymalfasin for Treatment of Sepsis

Clinical trials have shown that thymalfasin improves survival in patients in intensive care units being treated for sepsis from severe bacterial infections. One publication describes the results from a large, multicenter, single-blind, randomized, and controlled trial in 361 subjects in China. This study showed that the 28-day mortality from any cause was 26% in the ZADAXIN group, versus 35% in the control group, an effect that is clinically important ($p = 0.062$ non-stratified analysis, $p = 0.049$ log-rank). Greater improvement in the biomarker HLA-DR was also seen in subjects treated with ZADAXIN ($p = 0.037$). No serious drug-related adverse events were recorded. These data support the usefulness of ZADAXIN in treating severe sepsis.

An investigator-initiated trial involving ZADAXIN for the treatment of sepsis is underway in China ; we are supplying ZADAXIN with respect to such trial . Patient enrollment is under way and expected to be completed in 201 9 with top-line data expected in 20 20 .

Thymalfasin for Enhancement of Response to Vaccine

Clinical trials have demonstrated that thymalfasin increases response to influenza and hepatitis B vaccines in the elderly and in hemodialysis patients. In elderly subjects, thymalfasin was also shown to decrease the incidence of influenza from 19% in subjects given an influenza vaccine alone, to 6% in subjects receiving thymalfasin treatment in addition to the influenza vaccine. For these clinical trials, the treatment regimen involved 8 to 10 injections of 1.6 mg doses of thymalfasin. A clinical study conducted in 2009/2010 by Sigma-Tau Finanziaria, S.p.A. in Italy, however, showed that a higher dose of thymalfasin (3.2 or 6.4 mg) given only twice (seven days prior to vaccination and on the day of vaccination) was also effecti ve. ZADAXIN treatment led to a statistically significant increase in the percent of subjects who seroconverted to the H1N1 vaccine (MF59 adjuvanted monovalent vaccine, Focetria™ from Novartis), and an increase in total titers, when measured at 21 or 42 days after vaccination. While this effect was no longer seen at time points 84 and 168 days after vaccination, the enhancement effect of ZADAXIN provided a significant enhancing effect in the critical first six weeks following vaccination. These promising data further support the utility of thymalfasin for use in immune system enhancement.

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

Patents

We seek regulatory approval for our products in disease areas with high unmet medical need, significant market potential and where we have a proprietary position through patents covering use, manufacturing process, or composition of matter for our products. For our lead product ZADAXIN, we are the licensee or owner of patents and patent applications relating to thymalfasin and its use for a number of diseases. In particular, we are the licensee or owner of patents and applications in the U . S . or China that are directed to thymalfasin therapy for the treatment of hepatitis B and/or hepatitis C as a monotherapy or in combination with other therapeutics, including drugs with or without regulatory approval for marketing. In China, patent number ZL99811382.4 has been granted for ZADAXIN for c hronic h epatitis B that expires in 2019. In addition, we are the licensee or owner of several patents and applications in the U . S . and internationally that are directed to thymalfasin therapy for immune system enhancement. The expiring patent terms for issued or to be issued patents are from 2025 to 203 1 . We are also the licensee or owner of patents in the U . S . and China that are directed to thymalfasin therapy for reducing side effects of chemotherapy. The expiring patent terms for these issued patents are from 2020-2021. We have also applied for patents in the U . S . and internationally that are directed to thymalfasin therapy for the treatment of severe sepsis and acute infection, as well as more specific patents for certain infections such as Aspergillus . The expiring patent term for the severe sepsis and acute infection patents, if issued, is 2033. The expiring patent terms for issued Aspergillus patents are from 2024 to 2027. In addition, we have issued patents in the U . S . and China directed to thymalfasin conjugates. The expiring patent terms for these issued patents are in 2022. Furthermore, we have applied for patents in the U . S . and internationally that relate to use of thymalfasin as an immune system enhancer for the treatment of cancer. The expiring patent term for these patents, if issued, is 2035.

With respect to our issued patents in the U . S . and Europe, we are also entitled to obtain a patent term extension to extend the patent expiration date. For example, in the U . S . , we can apply for a patent term extension of up to five years for one of the patents covering ZADAXIN if ZADAXIN is approved by the U . S . Food and Drug Administration (“FDA”) . The exact duration of the extension depends on the time we spend in clinical trials as well as getting a new drug application approval from the FDA.

Proprietary Rights

In addition to patent protection, we intend to use other means to protect our proprietary rights. We may pursue marketing exclusivity periods that are available under regulatory provisions in certain countries, including the U . S . , Europe, Japan, and China. For example, if we are the first to obtain market approval of a product, e.g., thymalfasin in the U . S . , we would expect to receive at least five years of market exclusivity.

Furthermore, orphan drug exclusivity has been or may be sought where available. Such exclusivity has a term of seven years in the U . S . and 10 years in Europe. We have obtained orphan drug designation for thymalfasin for the treatment of malignant melanoma and chronic hepatitis B in the U . S . and for the treatment of hepatocellular carcinoma in the U . S . and in Europe. We own trademark registrations worldwide for ZADAXIN and other trademarks that appear on our commercial packaging and promotional literature. Copyrights for the commercial packaging may prevent counterfeit products or genuine but unauthorized products from entering a particular country by parallel importation. Brand and trademark protection are particularly important to us in China. We have implemented anti-counterfeiting measures on commercial packaging and we have registered the packaging with customs departments in countries where such procedures exist. We rely upon trade secrets, which we seek to protect in part by entering into confidentiality agreements with our employees, consultants, corporate partners, suppliers, and licensees.

MANUFACTURING

ZADAXIN is manufactured for us in Europe by third parties under exclusive contract manufacturing and supply agreements. We closely monitor production runs of ZADAXIN and conduct our own quality assurance audit programs. We believe the manufacturing facilities of our contract suppliers are in compliance with the FDA's current Good Manufacturing Practices ("GMP"), and European equivalents of such standards. In order to sell ZADAXIN to the licensed importers in China, our manufacturers must 1) be approved by the Italian Ministry of Health ("AIFA") and 2) be accepted by the CFDA, the Chinese regulatory agency , and we must obtain an Import Drug License from the CFDA permitting the importation of ZADAXIN into China. The license must be renewed every five years, and our next renewal will be required in December 2017. If we change manufacturers, these changes must 1) be approved by AIFA in Italy and 2) be accepted by the CFDA, a nd we must obtain a new Import Drug License from the CFDA.

In the event of the termination of an agreement with any single supplier, we believe that we would be able to enter into arrangements with other suppliers with similar terms. We do not intend at this time to acquire or establish our own dedicated manufacturing facilities for any of our products. We believe that our current manufacturing partners for ZADAXIN have enough manufacturing capacity to meet potential market demand. We also believe that we will be able to meet our clinical trial needs and market demand for our other drug candidates when needed with our current manufacturing partners and through pursuing new relationships with additional manufacturing partners.

COMPETITION

Our competition for sales of ZADAXIN in China is primarily from generic drug manufacturers located in China that sell their product at lower prices. We compete with them based on our reputation as a provider of high quality products, including the fact that our products are produced at U . S . and western European GMP facilities.

Our competitors for existing and future products include pharmaceutical companies, biotechnology firms, universities and other research institutions, in the U . S . , China and other territories, that are actively engaged in research and development or marketing of products in the therapeutic areas we are pursuing. We believe that the principal competitive factors in this industry for a marketed drug include the efficacy, safety, price, therapeutic regimen, manufacturing, quality assurance and associated patents and the capabilities of its marketer.

Most of our competitors, particularly large pharmaceutical companies, have substantially greater financial, technical, regulatory, manufacturing, marketing and human resource capabilities than ours. Most of them also have extensive experience in undertaking the preclinical and clinical testing and in obtaining the regulatory approvals necessary to market drugs. Additional mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated with our competitors.

For the treatment of HBV, current therapies being marketed by competitors include interferon alpha, in standard and pegylated forms, nucleoside analogues, such as lamivudine and entecavir, and nucleotide analogue adefovir. In addition to these products, in our largest market, China, ZADAXIN faces competition from other synthetic and generic biological extracts that are locally manufactured and significantly lower priced.

Future clinical trials may or may not show ZADAXIN or our other products in the market or in development to have advantages or value over such existing or future competitive products.

RESEARCH AND DEVELOPMENT

Research and development ("R&D") expenses consist of independent R&D costs relating to the conduct of clinical trials and costs associated with in-licensing arrangements. R&D expenses were $15. 1 million, $ 12.3 million , and $ 14.6 million , for the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively. During 201 6 , 2015 and 201 4 , R&D expenses included $ 4 .5 million, $7.5 million and $11 .0 million, respectively, related to upfront and milestone payments made under our in-license arrangements. During 2015, under our subsidiary SciClone Pharmaceuticals International (Cayman) Development Limited, we incorporated two further subsidiaries, SciClone Pharmaceuticals (Hong Kong) Development Company Ltd., and SciClone Pharmaceuticals (Shanghai) Development Company Ltd. Our development entities conduct various research and development activities including those relating to in-licensing arrangements and the conduct of clinical trials.

EMPLOYEES

As of December 31, 201 6 , we had approximately 570 employees: approximately 54 0 in China, approximately 20 in the U . S . , and approximately 10 in other countries. From time to time, we engage the services of consultants worldwide with pharmaceutical and business backgrounds to assist in our product development and commercialization activities.

GOVERNMENT REGULATION

Regulation by governmental authorities in the U . S . , China and other foreign countries is a significant factor in the manufacturing and marketing of our products, as well as in ongoing research and development activities and in pre-clinical and clinical trials and testing related to our products. Our products in clinical development in the U . S . , China and other foreign countries are subject to approval by the FDA, the CFDA and similar regulatory authorities . Manufacturing establishments are subject to inspections by regulatory authorities at the federal, state and local level and must comply with current GMP as established in various jurisdictions. In complying with GMP standards, manufacturers must continue to expend time, money and effort in the area of production and quality assurance to ensure ongoing full technical compliance. We also conduct a separate review of products on an ongoing basis to test and maintain compliance with GMP standards.

China

In China, the pharmaceutical industry is subject to extensive government regulation and supervision. The regulatory framework addresses all aspects of operating in the pharmaceutical industry, including approval, pricing, re-imbursement, production, licensing and certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs and environmental protection.

The CFDA is the authority that monitors and supervises the administration of pharmaceutical products and medical appliances and equipment as well as food, health food and cosmetics in China. The primary responsibilities of the CFDA include:

- formulating administrative rules and policies concerning the supervision and administration of food, health food, cosmetics and the pharmaceutical industry;
- evaluating, registering and approving of new drugs, generic drugs, imported drugs and traditional Chinese medicine;
- approving and issuing permits for the manufacture and export/import of pharmaceutical products, medical appliances and equipment and approving the establishment of enterprises to be engaged in the manufacture and distribution of pharmaceutical products; and

- examining and evaluating the safety of food, health food and cosmetics and handling significant accidents involving these products.

The MOH is an authority at the ministerial level under the State Council and is primarily responsible for national public health and has administrative responsibility for the CFDA. The MOH performs a variety of tasks in relation to the health industry such as establishing social medical institutes, promulgating national regulations, and producing professional codes of ethics for public medical personnel. The MOH is also responsible for international issues, such as those pertinent to foreign companies and governments.

Drug Administration Laws and Regulations

The China Drug Administration Law and related regulations provide the legal framework for the establishment of pharmaceutical manufacturing enterprises, and pharmaceutical trading enterprises, and for the administration of pharmaceutical products, including the development and manufacturing of new drugs, the import of pharmaceuticals and the regulation of packaging, trademarking and advertising of pharmaceutical products in China.

Permits and Licenses for Importation, Manufacturing and Registration of Drugs

Import Drug License. Our strategy to date has been to seek approval for the import into China of drugs approved in other ma rkets. We must obtain an Import Drug License from the CFDA to import a pharmaceutical product into China.

T o qualify to receive an Import Drug License from the CFDA, each manufacturing establishment must be registered with the FDA or European ("EMA") regulatory authorities where the product is registered for sale and listed on the Certificate of Pharmaceutical Product ("CPP" or Country of Origin Approval).

As a result, in order to obtain and maintain an Import Drug License in China, we or our partners must also meet the regulatory requirements for the country of origin of the pharmaceutical products we import, or are seeking to import, into China.

The process for applyi ng for and obtaining an Import Drug License can be protracted and uncertain. In addition to the submission of clinical data from trials outside China, the CFDA may require additional clinical data, including from studies in China, and it may conduct its own inspection and testing of manufacturing facilities and of finished product. An Import Drug License needs to be renewed every five years. Further, if the manufacturer of the pharmaceutical product changes, an additional approval is required from the CFDA, and approval will also have to be obtained in the country from which the product is imported.

For ZADAXIN, the CPP is in Italy, and was issued by the AIFA. The named manufacturer of ZADAXIN is Patheon Italia S.p.A. DC Bead is manufactured by Biocompatibles UK Ltd. ("Biocompatibles") and its Country of Origin approval is the United Kingdom . We and our partners need to maintain these approvals.

China require s that products with an Import Drug License be imported through approved importing agents. At each port of entry, prior to moving the product forward to the distributors, government-licensed importing agents must process and evaluate each shipment to determine whether such shipment satisfies China's quality control requirements.

GMP Certificates. Our current products and our clinical candidates in China are all manufactured outside China and are subject to GMP standards in the country in which they are manufactured. Our manufacturers are subject to site inspections by the regulatory authorities in the jurisdictions in which they are located. The iss uance and renewal of an Import Drug License is dependent, among other things, upon maintaining manufacturing standards that comply with the GMP standards of a widely recognized regulatory authority, such as the FDA or EMEA.

If we were to manufacture product in China, or obtain product from Chinese contract manufacturers, such manufacturing would be subject to similar GMP standards established in China and administered by local authorities.

Distribution of Pharmaceutical Products

According to the China Drug Administration Law and related regulations, a manufacturer of pharmaceutical products in China can only engage in the trading of the pharmaceutical products that the manufacturer has produced itself. In addition, such manufacturer can only sell its products to:

- wholesalers and retailers holding pharmaceutical trading permits;
- other holders of pharmaceutical manufacturing permits; or
- medical practitioners holding medical practice permits.

A pharmaceutical manufacturer in China is prohibited from selling its products to end-users, or individuals or entities other than holders of Pharmaceutical Trading Permits, the pharmaceutical manufacturing permits or the medical practice permits.

A pharmaceutical distributor (including wholesalers and retailers) must satisfy requirements as to: personnel with pharmaceutical expertise, appropriate warehousing and sanitary environments compatible with the distributed pharmaceutical products; quality management and compliance with regulations to ensure the quality of the distributed pharmaceutical products. Operations of pharmaceutical distributors must be conducted in accordance with the Pharmaceutical Operation Quality Management Rules and require a certificate from the CFDA. Pharmaceutical distributors must comply with record-keeping requirements regarding the products sold.

Price Control s

Prior to June 1, 2015, the price of pharmaceutical products in China was controlled and regula ted by the Chinese government. With the promulgation of the Circular on Issuing the Opinions on Promoting Drug Price Reform jointly by the National Development and Reform Commission and several other government agencies (t he "Circular"), starting from June 1, 2015, pharmaceutical products (other than anesthetics and Class I psychotropic drugs which are still subject to fixed ex-factory price and retail ceiling price controls) are no longer subject to price cont rols by the Chinese Government at the national level, however , the Chinese government is expected to continue to influence the setting of the prices through the government bidding process and its management of the reimbursement system, as discussed below.

Reimbursement under the National Medical Insurance Program

The Ministry of Human Resources and Social Security ("MOHRSS"), together with other government authorities, determine which medicines are to be included in or removed from the Catalogue for the National Medical Insurance Program, as well as the category under which a medicine should fall in the Catalogue (also referred to as the National R eimbursement Drug List ("NRDL") . There are two categories under the Catalogue: Category A and Category B. Category B medicine s are generally more expensive than Category A medicine s. A National Medical Insurance Program participant can be reimbursed for the full cost of a Category A medicine but only a certain percentage of a Category B medicine . Whether a medicine should be included in the Catalogue depends on a number of factors, including whether the medicine is used in large quantities and commonly prescribed, and whether it is considered to be important in meeting the basic healthcare needs of the general public.

Although the National Medical Insurance Program is designated as a national program, the implementation of the National Medical Insurance Program is delegated to various provincial governments, each of which has established its own medicine catalog ue (also referred to as the Provincial Reimbursement Drug List ("PRDL") . A provincial government must include all Category A medicines listed in the Catalogue in its provincial medicine catalog ue and may not downgrade a nationally classified Category A medicine to Category B . For Category B medicines listed in the Catalogue , provincial governments have the discretion to add or subtract by no more than 15% .

The amount in a participant's individual medical insurance account varies, depending upon the amount of contributions from the participant and his or her employer. Generally, program participants who are from relatively wealthier eastern parts of China and relatively wealthier metropolitan centers have greater amounts in their individual accounts than those from less developed provinces.

Government Procurement

Most of the hospitals in China are State-owned. P harmaceutical products covered by the National Medical Insurance Program are generally procured by the government through a tender process. The tender process is typically conducted by the provincial health authorities every year or every few years. A government-appointed committee reviews bids submitted by pharmaceutical companies and selects one or more products for the treatment of a particular medical condition. The selection is based on a number of factors, including bid price, quality and a manufacturer's reputation and service. Once a product is selected by the committee, the state-owned hospitals in the province will purchase the product at the tender price submitted by the pharmaceutical company. However, starting from February 2015, the State Council had encouraged hospitals in some pilot cities to renegotiate the supply price s of the product s selected to further drive down the price.

Healthcare Insurance Reform

The Chinese government is undertaking a major reform of its medical insurance system. The MOHRSS is responsible for the reform of the medical insurance system. At present, the medical insurance system consists of three basic medical insurances: (i) the Urban Employee Basic Medical Insurance Scheme, which is a mandatory health insurance program for urban employees and retirees; (ii) the Urban Resident Basic Medical Insurance Scheme, which is a voluntary program for other urban residents; and (iii) the New Rural Cooperative Medical Scheme, or NRCMS, which is a voluntary program for all rural residents. The coverage of China's urban/rural basic medical insurance extended from approximately 10% in 2004 to approximately 94% and 100% in 2009 and 2013, respectively. As of December 31, 2014, the two urban insurance schemes covered 597 million urban residents and the NRCMS covered approximately 736 million rural residents. In addition, the budget and actual amount of medical and healthcare expenditure s of the Ministry of Finance have been increasing since 2009, with both exceeding 900 billion Chinese Yuan Renminbi ("RMB") in 2014.

Coverage and Reimbursement Challenges

Our ability to successfully commercialize our products in China as well as in other parts of the world depends in part on the extent to which coverage and reimbursement to patients will be available from government health care programs, private health insurers and other third-party payors or organizations, as well as on the level of reimbursement. Significant uncertainty exists as to the reimbursement status of therapeutic products, such as ZADAXIN or other drugs we may develop. In most of the markets in which we are currently approved to sell ZADAXIN, reimbursement for ZADAXIN under government or private health insurance programs is not yet available. In many of these countries government resources and per capita income may be so low that our products would be prohibitively expensive and therefore will not be covered by government health insurance program.

In November 2009, thymalfasin, the generic chemical name for our pharmaceutical product ZADAXIN, was included as a Catego ry B product in the Catalogue. In February 2017, a new NRDL was published by Government agencies in China. Thymalfasin, and thus ZADAXIN, remain listed as a Category B product. However, since th e Catalogue is amended every few years, there is no assurance that thymalfasin will remain on the Catalog ue with subsequent amendments. Furthermore, since the provinces have the discretion to exclude Category B products in the Catalogue from the provincial catalogue within certain limit s , t here is no assurance that ZADAXIN will be included in all the provincial catalogues. Even if ZADAXIN is included in the catalogue of a province, we may not be the successful bidder in the government bidding process.

U . S . , Europe and Other Countries

The regulatory regime for the approval for drug distribution and marketing in the U . S . and Europe is similar in many respects to the regulatory system in China. The steps required before a new drug may be distributed commercially generally include:

- conducting appropriate pre-clinical laboratory evaluations, including animal studies, in compliance with the FDA's Good Laboratory Practice ("GLP") requirements, to assess the potential safety and efficacy of the product;
- submitting the results of these evaluations and tests to the FDA in an Investigational New Drug Application (" IND ") , and receiving approval from the FDA that the clinical studies proposed under the IND are allowed to proceed;

- conducting adequate and well-controlled clinical trials in compliance with the FDA's Good Clinical Practice ("GCP") requirements that establish the safety and efficacy of the product candidate for the intended use, typically in the same Phase 1, Phase 2 and Phase 3 steps described above for China;
- development of manufacturing processes that conform to FDA current Good Manufacturing Practices, or cGMPs, as confirmed by FDA inspection;
- submitting to the FDA the results of pre-clinical studies, clinical studies, and adequate data on chemistry, manufacturing and control information to ensure reproducible product quality batch after batch, in a n NDA or Biologics License Application ("BLA"); and
- obtaining FDA approval of the NDA, including inspection and approval of the product manufacturing facility as compliant with cGMP requirements, prior to any commercial sale or shipment of the pharmaceutical agent.

After FDA approval has been obtained, the FDA requires post-marketing reporting to monitor the side effects of the drug. This may include phase 4 studies in which the drug is studied in an expanded patient population in a post-approval setting for continued monitoring of safety and sometimes continued efficacy.

We must comply with the regulations of each country in which we seek approval of and intend to market and sell any product.

AGREEMENTS WITH THIRD PARTIES

We hold license, promotion, distribution or marketing agreements with a number of parties for products currently marketed or under development, including an agreement w ith Biocompatibles for the distribution of DC Bead in China. We had agreements during 2016 and 2015 with several companies for the distribution of certain products in China including the following significant agreements. We have additional license agreements with other parties.

Baxter Healthcare Trading (Shanghai) Co. Ltd. ("Baxter") Agreement. In June 2013, our subsidiary, NovaMed Pharmaceuticals (Shanghai) Co. Ltd. (" NovaMed Shanghai ") , entered into an Amended and Restated Product Promotion Agreement with Baxter for the distribution of Holoxan ™, Mesna ™, and Endoxan ™ in China effective January 1, 2013. Under the agreement, we market products from Baxter for sale in China, with a promotion fee specified in the agreement. To maintain our exclusive rights, we must meet certain unit volume requirements. The agreement will expire on December 31, 2017, unless renewed.

Pfizer International Trading (Shanghai) Ltd. ("Pfizer") Agreement. In July 2014, our subsidiary, NovaMed Shanghai, renewed its promotion and distribution relationship with Pfizer by entering into an Import and Service Agreement for the continued distribution of several pharmaceutical products (currently Methotrexate ™, Estracyt ™, and Farlutal ™) in China. Under the agreement, we must purchase product from Pfizer for sale in China at prices specified in the agreement. The purchase prices are subject to adjustment in certain circumstances. To maintain our exclusive rights, we must meet certain unit volume requirements. In October 2016, NovaMed Shanghai entered into an agreement whereby it assigned its rights and obligations under the agreement to its affiliate, SciClone Pharmaceuticals (Jiangsu) Co., Ltd . The agreement will expire June 30, 2019 , unless renewed .

Zensun (Shanghai) Science & Technology Co., Ltd . ("Zensun") Agreement . In May 2013, our subsidiary, SciClone Pharmaceuticals International China Holding Ltd. ("SciClone China"), entere d into an agreement with Zensun granting SciClone China a license and the exclusive rights in China, Hong Kong and Macao to promote, market, distribute and sell Neucardin™, a novel, first-in-class therapeutic drug for the treatment of patients with intermediate to advanced chronic heart failure (CHF). The agreement provides for the principal terms of the arrangement between SciClone China and Zensun, and the companies have agreed to negotiate a supplemental license and supply agreement.

The Medicines Company Agreement. In December 2014, we entered into an agreement with The Medicines Company granting us a license and the exclusive rights in China to promote, market, distribute and sell two cardiovascular products: Angiomax®, an anticoagulant indicated in certain patients undergoing percutaneous coronary intervention (PCI), and Cleviprex®, a third-generation dihydropyridine calcium channel blocker for the reduction of blood pressure.

Theravance Biopharma, In c . Agreement . In May 2015, we entered into an agreement with Theravance Biopharma granting us exclusive development and commercialization rights to VIBATIV ® (telavancin) in China, as well as Hong Kong, Macau, Taiwan and Vietnam. Under the terms of the agreement Theravance Biopharma will sell to us all clinical and commercial product required to develop and commercialize VI BATIV in China and our other licensed territories.

Soligenix , Inc. Agreement. In September 2016, we entered into an exclusive license agreement with Soligenix, Inc. granting us rig hts to develop, promote, market , distribute and sell SGX942 (dusquetide).

Under the terms of the agreement, we transferred cash consideration of $3 million to Soligenix for 3,529,412 shares of Soligenix common stock (constituting 9.43% of Soligenix stock issued and outstanding immediately following the issuance of new shares to SciClone) and expanded rights for SGX942 in Taiwan, South Korea, and Vietnam, as we had previously obtained rights for Greater China in the 2013 exchange. Under the terms of the agreement, we will be responsible for all aspects of development, product registration and commercialization in the Territory, having access to data generated by Soligenix, and we wi ll owe Soligenix royalties on net sales, and Soligenix will supply commercial drug product to us on a cost-plus basis, while maintaining worldwide manufacturing rights. Soligenix declared a 1 for 10 reverse stock split in October 2016, resulting in our ownership of 352,94 2 shares.

Our continued distribution of approved products depends upon the continuation of these agreements and the renewal of the agreements upon expiration.

INFORMATION ABOUT SEGMENT AND GEOGRAPHIC REVENUE

Additional information about segment and geographic revenue is set forth in Note 1 7 of our Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

AVAILABLE INFORMATION

We file electronically with the SEC our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

You may obtain a free copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, on the day of filing with the SEC on our website on the World Wide Web at http://www.sciclone.com, by contacting the Investor Relations Department at our corporate offices by calling 800-724-2566 or by sending an e-mail message to investorrelations@sciclone.com .

Item 1A. ***Risk Factors***

You should carefully consider the risks described below, in addition to the other information in this report on Form 10-K, before making an investment decision. Each of these risk factors could adversely affect our business, financial condition, and operating results as well as adversely affect the value of an investment in our common stock.

Our stock price may be volatile, and an investment in our stock could suffer a decline in value.

Although we reported net income of $30.7 million, $29.5 million and $25.2 million, for the years ended December 31, 2016, 2015 and 2014, respectively, and have reported full year annual net income since fiscal 2009, we have experienced occasional quarterly losses and as a result of accumulated annual operating losses prior to fiscal 2009, we have an accumulated deficit of approximately $88 million as of December 31, 2016. If our operating expenses were to increase or if we were not able to increase or sustain revenue, we may not maintain profitability over the next 12 months.

The market price of our common stock has experienced, and may continue to experience, substantial volatility due to many factors, some of which we have no control over, including:

- our substantial dependence on our sales of ZADAXIN in China;
- our revenues are dependent on our obtaining or maintaining regulatory licenses and compliance with other country-specific regulations, including renewing our China Import Drug License for ZADAXIN, which must be renewed every 5 years;
- Chinese government actions intended to reduce pharmaceutical prices such as the reduction in some provinces of the governmentally permitted maximum listed price for our products and increased oversight of the health care market and pharmaceutical industry;
- government regulatory action affecting our Company or our drug products or our competitors' drug products in China, the U . S . and other foreign countries, including the effect of government initiatives in China, particularly the Chinese government’s increasing regulation of the pharmaceutical industry through anti-corruption activities;
- compliance by our employees and agents with regulations that are applicable to sales and marketing activities, including the Foreign Corrupt Practices Act;
- actual or anticipated fluctuations in our quarterly operating results, some of which may result from undertaking new clinical development projects, or from licensing or acquisition-related expenses including up-front fees, milestone payments, and other items;
- announcement and completion of corporate acquisition, merger, licensing or marketing arrangements, or sales of assets;
- changes in assessments of our internal control over financial reporting;
- progress and results of clinical trials and the regulatory approval process for our product candidates ;
- timing and achievement of our corporate objectives;
- charges related to expired inventory or bad debt;
- terminations of, or changes in our agreements or relationships with collaborative partners;
- announcements of technological innovations or new products by us or our competitors;
- developments or disputes concerning patent or proprietary rights;
- changes in the composition of our management team or Board of Directors;
- changes in company assessments or financial estimates by securities analysts;
- general stock market conditions and fluctuations for the emerging growth and pharmaceutical market sectors;
- unanticipated increases in our G&A expense due to legal and accounting expenses, including expenses relati ng to strategic initiatives, or arising out of matters relating to any additional or uncorrected control deficiency or related matters;
- economic and political conditions in the U . S . or abroad, particularly in China;

- currency fluctuations between the RMB and U . S . Dollar (“USD”) including recent RMB devaluation that has led to, and may continue to lead to, downward adjustments in our importer price if further devaluation continues;
- broad financial market fluctuations in the U . S . , Europe or Asia;
- more aggressive action by the government in the U . S . , China or other foreign jurisdicti ons in changing taxation policy; and
- unanticipated changes in key personnel.

We have acquired products, product licenses and other companies in the past and expect to continue such acquisitions. We may not realize all the anticipated benefits of such acquisitions due to various risks, including risks similar to those stated above as well as to risks that could result if we:

- issue common stock that would dilute our current shareholders’ percentage ownership;
- assume liabilities, some of which may be unknown at the time of such acquisitions;
- record goodwill and intangible assets that would be subject to impairment testing and potential periodic impairment charges;
- incur amortization expenses related to certain intangible assets; and
- incur large and immediate write-offs of in-process research and development costs; or become subject to litigation.

Our revenue is substantially dependent on our sales of ZADAXIN in China and competition or other factors could adversely affect our sales.

Our product revenue is highly dependent on the sales of ZADAXIN in China. We anticipate that sales of ZADAXIN will continue to be a majority of our revenue for at least the next two years. For the years ended December 31, 2016, 2015 and 2014, approximately 95%, 96% and 96% of our ZADAXIN sales, respectively, were to customers in China. Sales of ZADAXIN in China may be limited due to the low average personal income, lack of patient cost reimbursement, poorly developed infrastructure and competition from other products, including generics. ZADAXIN sales growth in recent years has benefited from the rapidly growing Chinese economy and growing personal disposable income. Sales of ZADAXIN in China could be adversely affected by a slowing or downturn of the Chinese economy and from the recent and future decisions of provincial agencies’ pricing reform. Any decrease in the sales of ZADAXIN in China may have a material adverse effect on our revenue and results of operations.

In China, ZADAXIN is approved for the treatment of hepatitis B virus (“HBV”) and as an immune system enhancer. We face competition from pharmaceutical companies who are aggressively marketing competing products for the treatment of HBV and for other indications where we believe ZADAXIN may be used on an off-label basis. In addition, several local companies are selling lower-priced, locally manufactured generic thymalfasin, which is a competitive product and is selling in substantial and increasing quantities. While generic products outsell ZADAXIN in unit volumes, we have been able to maintain a pricing advantage through the reputation of our imported, branded product. We believe such competition will continue with added new local manufacturers of generic thymalfasin and there could be a negative impact on the price and the volume of ZADAXIN sold in China, which would harm our business.

Sales of ZADAXIN may fluctuate significantly from quarter to quarter due to financing limitations on importers, changes in inventory levels at our customers, and surges in sales and inventories. Importers and distributors of ZADAXIN borrow funds in China from banks to purchase, hold and distribute ZADAXIN. Substantial increases in restrictions on fund availability and/or increases in borrowing costs could limit the ability of our importers and distributors to finance their im port and distribution process. Additionally, in the past, there have been situations where our suppliers or customers hold a higher level of inventory than expected, which decreased demand f or ZADAXIN during that period. Further, our customers tend to purchase large orders, and inventory levels may fluctuate significantly as a result, or as a result of changes in the distribution channel, potentially affecti ng quarterly periodic results. Fluctuation in our sales of ZADAXIN may negatively impact our revenues and results of operations.

We are attempting to expand our business beyond ZADAXIN and outside of China. However , our efforts to in-license or acquire other pharmaceutical products for marketing in China and other markets may be unsuccessful or even if successful may not have a meaningful effect on our dependence on ZADAXIN sales in those markets.

Our revenues are dependent on our obtaining or maintaining regulatory licenses and compliance with other country-specific regulations, including renewing our drug import license for ZADAXIN, and compliance with the Chinese Pharmacopeia.

Our revenue is dependent on receipt and maintenance of regulatory licenses and compliance with other country-specific regulations. For example, we have received regulatory approvals to import and market ZADAXIN in China and to manufacture ZADAXIN and export the product from Italy. In order to continue our sales to China, we need to maintain these approvals, known as Import Drug L icenses which allow for the importation and commercial sale of a product manufactured outside of China . Our Import Drug License for ZADAXIN needs to be renewed every five years and the next renewal is required before December 2017 in order for us to continue our ability to import and sell ZADAXIN into China. Although Import Drug License renewals in the past were obtained successfully, there is no assurance that SciClone will receive renewals in the future when applied for or that the renewals will not be conditioned or limited in ways that limit our ability to import and sell ZADAXIN into China.

Our licenses to manufacture and export ZADAXIN from Italy are dependent upon our continuing compliance with regulations in Italy. Our business would be adversely affected if we are not able to maintain these approvals. In order to sell ZADAXIN to the licensed importers in China, our manufacturers must 1) be approved by the Italian Ministry of Health ("AIFA") and 2) be accepted by the CFDA. Some manufacturing changes may require: 1) approval by AIFA in Italy and/or 2) acceptance by the CFDA. ZADAXIN registration in Italy has been essential to the renewal of our Import Drug License from the CFDA permitting the importation of ZADAXIN into China.

Our ability to obtain a renewal of our Import Drug License from the CFDA could be adversely affected due to changes in policies and practices at CFDA in the review process, including with respect to potential requirements for additional technical information regarding ZADAXIN to CFDA.

The CFDA, AIFA and other regulatory agencies may, and have, changed their internal administrative rules in ways that may delay or complicate the regulatory approval process. Those changes are not always disclosed or known to us and we may experience unexpected delays or additional cos ts as a result of such changes. Any change in our ability to obtain or renew regulatory licenses or approvals could have an adverse effect on our revenue and results of operations.

Our products are subject to rigorous regulation in the jurisdictions where they are sold, including the standards established by the Chinese Pharmacopoeia, or ChP, in China. The ChP is an official compendium of drugs in China and sets the standards of purity, description, test, dosage, precaution, storage and the strength for each drug in China. If our products fail to meet relevant specifications, including ChP specifications, during routine customs testing as such specifications may be revised from time to time, our Import Drug Licenses , which allow the importation for commercial sale, may be revoked, which would result in a significant loss of revenue and materially adversely affect our business.

Chinese provincial government regulations mandating price controls have been imposed on ZADAXIN and several of our other products. If we experience difficulties in our sales efforts as a result of price restrictions or other policies intended to reduce health care costs, our operating results and financial condition will be harmed.

Our products are subject to increasing pricing pre ssures, particularly in China. Government regulations mandating price controls and limitations on patient access to our products impact our business, and our future results could be adversely affected by changes in such regulations or policies.

The Chinese government is increasing its efforts to reduce overall health care costs, including pricing controls on pharmaceutical products. Individual provinces in China and, in some cases, individual hospitals can and have established pricing requirements for a product to be included on formulary lists or imposed price reductions as part of the provincial tender process . In some cases, these price limits have been significantly lower than prices at which our distributors have been selling ZADAXIN, in which case we have been removed from formulary lists, which consequently has reduced sales to certain hospitals and could adversely affect our future sales.

Recent governmental policy changes in China have eliminated national regulation of the maximum retail drug prices for most drugs, effective June 1, 2015. Decisions by provincial authorities are emerging as the primary governmental mechanism for price controls. As an example, the Zhejiang provincial authority announced a price limitation for sales of ZADAXIN in the province in

April 2015 that became effective in May 2015. How ever, we were able to mitigate, in part, the impact of this price limitation by sharing the burden of the price reduction with our distributor.

The pricing regulations in China, whether operating at a national, provincial or institutional level, as well as regulation of the importation of pharmaceutical products, have reduced retail prices of, and our own revenue from, ZADAXIN and our other products, and we expect that pricing pressure will continue. While the regulatory mechanisms are changing and the ultimate outcome is uncertain, and while we have been able to mitigate the impact of prior price reductions on our overall business, prices could be reduced to levels significantly below those that would prevail in an unregulated market, limit the volume of product which may be imported and sold or place high import duties on the product, any of which may limit the growth of our revenues or cause them to decline.

Other emerging measures intended to reduce health care costs may also adversely affect our sales. Chinese provincial or local government agencies may limit or prohibit the use of pharmaceuticals they consider to be and designate as adjuvants as part of a policy to reduce spending on pharmaceuticals. None of our products has received such a designation to date from Chinese provincial or local government agencies. A few hospitals have designated our product as an adjuvant, but our revenues have not been materially affected. However, if any of our products are designated as an adjuvant by governments or local agencies in provinces where we have significant sales, or in hospitals where we have significant sales, sales of that product in such locations or hospitals would be significantly adversely affected.

There can be no assurance that our business development activities will result in pursuing or completing a particular transaction.

In early February 2016, we announced that our Board of Directors had initiated a process to identify, examine and consider a range of strategic alternatives available to us with a view to enhancing stockholder value . In July 2016, we announced that our Board was no longer continuing active discussions with potential acquirers which were undertaken as part of its strategic review process and that the Board will continue to evaluate additional strategic opportunities while continuing to focus on growing the Company's business. This announcement had adverse effects on our stock price, and may have adverse effects on our customer relationships and retention of key employees.

We expect to continue to review strategic opportunities, including through collaborations, alliances, licenses, joint ventures, equity- or debt-based investments, mergers and acquisitions. However, these activities are subject to the availability and cost of appropriate opportunities, competition from other companies that are seeking similar opportunities and our ability to successfully identify, structure and execute transactions in the anticipated timeframe or at all, and integrate acquisitions. Further, while we seek to mitigate risks and liabilities of such transactions, we may not accurately assess the risks and uncertainties associated with engaging or not engaging in a strategic opportunity, and the anticipated benefits from pursuing any such opportunity may not materialize. I n addition, undertaking substantial transactions or multiple transactions could divert management’s time and focus from operating our business, potentially having adverse effects on our existing business relat ionships and our key employees. In addition, there can be no assurance that the evaluation of potential transactions will result in either pursuing any different strategic operational approach or completing any particular transaction.

If we fail to achieve or maintain an effective system of internal controls, we may not be able to accurately report our financial results. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and to protect from fraudulent, illegal or unauthorized transactions. If we cannot establish effective controls and provide reliable financial reports, our business and operating results could be harmed. Moreover, as a U . S . -based corporation doing business internationally, these controls often need to satisfy the requirements of foreign law as well as the requirements of U . S . law which frequently differ in certain aspects. We have in the past discovered, and may in the future discover, areas of our internal controls that need improvement. For example, in 2012, our management identi fied two separate instances of a material weakness in internal co ntrol over financial reporting which were fully remediated prior to December 31, 2014. We continuously work on improvements to our internal controls and there can be no assurance that these or other material weaknesses will not occur in the future, or otherwise cause us to inaccurately report our financial statements. For example, the restatement of our financial statements for each of our first, second, and third quarters of 2012, and our financial statements for each of the second and third quarters of 2011 and the year ended December 31, 2011, were in part caused by

the material weakness related to the design and operation of our controls disclosed as of December 31, 2012 discussed above. Any failure to implement and maintain controls over our financial reporting or difficulties encountered in the implementation of improvements in our controls, could cause us to fail to meet our reporting obligations. Any failure to improve our internal controls or to address identified weaknesses in the future, if they were to occur, could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our stock.

We are subject to U.S. and foreign anti-bribery and anti-corruption and similar laws, and could face substantial penalties if we fail to fully comply with such regulations and laws.

We are subject to U.S., Chinese and other foreign anti-bribery and anti-corrup tion laws and regulations. As a U.S. reporting company, we are subject to Foreign Corrupt Practices Act ("FCPA") which prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business abroad. The scope of the FCPA has been interpreted to include interactions with certain healthcare professionals in many countries. Other countries have enacted similar anti-corruption laws and/or regulations and the Chinese government in particular has increased its anti-corruption measures, particularly in the pharmaceutical and health care markets.

In 2010 the SEC and DOJ commenced investigations of the Company regarding a range of matters, including the possibility of violations of the FCPA, primarily related to certain historical sales and marketing activities with respect to our China operations. A Special Committee of our Board undertook an independent investigation as to matters reflected in and arising from the SEC and DOJ investigations in order to evaluate whether any violation of t he FCPA or other laws occurred. In 2016, we announced a settlement agreement with the SEC fully resolving the SEC's investigation into possible violations of the FCPA. The DOJ has also completed its investigation and has declined to pursue any action. Under the terms of the settlement with the SEC, we paid to the SEC a total of $12.8 million, including disgorgement, pre-judgment interest and a penalty as final settlement. We are also required to give status reports to the SEC through the first quarter of 2019 on our continued remediation and implementation of anti-corruption compliance measures.

We expended substantial resources on the investigations and our internal remediation and compliance efforts, and continue to expend substantial resou rces on compliance. However, given the high level of complexity of the anti-bribery laws, there is a risk that we may inadvertently breach these regulations, for example through fraudulent or negligent behavior of ind ividu al employees, our failure to comply with record keepi ng requirements, or otherwise. Our success depends, in part, on our ability to anticipate risks and manage compliance through policies, pro cedures and internal controls. We have a large, dispersed sales force and we use third-party agents as well as distributors in various aspects of our business, which presents risks to our effort to ensure that our practices comply with anti-bribery and similar regulations.

Our independent registered public accounting firm serving as our external auditor is an audit firm which is not inspected by the Public Company Accounting Oversight Board ("PCAOB"), and, although they may be subject to other inspections, you do not have the benefits of PCAOB inspections.

Our incumbent independent auditors' system of quality control and their individual audits are subject to review, inspection, or other outside assurance from time to time by member firms in the network of firms to which they belong, by peer accounting firms, or by regulatory or industry bodies in China (such as China's securities regulator or the Chinese body representing certified public accountants). However, these various bodies or parties are distinct from the PCAOB, and their efforts may not be concentrated on audits of SEC registrants. Their reviews or inspections may be substantially different, or not comparable to, an inspection by the PCAOB. Auditors of companies that are registered with the SEC and traded publicly in the U . S . , including our independent registered public accounting firm, must be registered with the PCAOB, and are required by the laws of the U . S . to undergo regular inspections by the PCAOB to assess their compliance with the laws of the U . S . and professional standards. Because our auditors are located in the People's Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating audits and quality control procedures of any auditors operating in China, including our auditors. As a result, investors in our equity securities may be deprived of the benefits of PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditors' audit procedures or quality control procedures as compared to other public company auditors outside of China that are subject to PCAOB inspections. As a result, investors in our stock may lose confidence in our reported financial information and procedures and the quality of our financial statements.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended.

In December 2012, the SEC brought administrative proceedings against five accounting firms, including our independent registered public accounting firm, in China, alleging that they had refused to produce audit work papers and other documents related to certain other China-based related companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. On February 12, 2014, four of these PRC-based accounting firms, including our registered public accounting firm, appealed to the SEC against this sanction decision. In February 2015, the four PRC-based accounting firms agreed to a censure and to pay $500,000 each to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the China Securities Regulatory Commission. If the firms don't follow the procedures, the SEC could impose penalties such as suspensions, or it could restart the current enforcement case administrative proceedings.

In the event that the SEC restarts the enforcement administrative proceedings, depending upon the final outcome, listed companies in the U.S. with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, U . S . -listed companies and the market price of our stock may be adversely affected.

If our independent registered public accounting firm were denied the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act of 1934. Such a determination could ultimately lead to the delisting of our shares from the NASDAQ Global Select Market or deregistration by the SEC, or both, which would substantially reduce or effectively terminate the trading of our stock in the U . S.

We may incur unexpected charges relating to our operations.

Although we have generally experienced minimal product returns and our customers have historically paid all invoiced amounts, we could incur future charges relating to inventory that expires or as a result of customer failures to pay invoiced amounts timely or in full. For example, from time to time we have recorded bad debt expense or write offs of unco llectible accounts receivable. While the amounts of the write offs have historically been immaterial, we may have more significant bad debt expense s or write offs in the future. We have had and could also experience additional charges for potential inventory obsolescence related to other products if we are unable to sell units that are nearing their expiration dates, or for bad debt if other distributors do not pay outstanding receivables in full. Those or similar future events would have an adverse impact upon our operating results.

We are at risk of additional securities class action and derivative lawsuits.

Securities class action and derivative lawsuits are often filed against public companies following a decline in the market price of their securities. After our announcement regarding SEC and DOJ investigations in 2010, we and certain of our officers and directors were named as parties in purported stockholder class actions and derivative lawsuits. Those class action lawsuits were dismissed and we have settled those derivative lawsuits. Our stock price declined following the announcement of a restatement of our financial statements for fiscal 2011 and the first three quarters of fiscal 2012, and that our predecessor independent auditing firm had elected not to stand for reappointment for the 2013 fiscal year. Soon after that announcement, we and certain of our officers and directors were named as parties in a purported derivative lawsuit relating to the restatement, which was subsequently dismissed in its entirety. We may experience stock price volatility in the future related to other matters. This risk is especially relevant for us because biotechnology companies have experienced greater than average stock price volatility in recent years. We may be named in additional litigation, which could require significant management time and attention and result in significant legal expenses and may result in an unfavorable outcome, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Such litigation could result in additional substantial costs and a diversion of management's and the Board of Directors' attention and resources, which could harm our business.

We may not be able to successfully develop or commercialize our products.

We have numerous product candidates under development, some of which we own and others which were in-licensed to us.

Clinical trials are inherently risky and may reveal that our product candidates are ineffective or have unanticipated side effects and/or drug interactions that may significantly decrease the likelihood of regulatory approval. The regulatory approval processes in the U . S . , Europe and China are demanding, lengthy and expensive. We have committed significant resources, including capital and time, to develop and seek approval for products under development, and if we do not obtain approvals we are seeking, we may be unable to achieve any revenue from these products. All new drugs, including our product candidates, are subject to extensive and rigorous regulation by the FDA, CFDA and similar regulatory agencies. These regulations govern, among other things, the development, testing, manufacturing, labeling, storage, pre-market approval, importation, advertising, promotion, sale and distribution of our products. These regulations may change from time to time and new regulations may be adopted.

Satisfaction of government regulations may take several years and the time needed to satisfy them varies substantially based on the type, complexity and novelty of the pharmaceutical product. As a result, government regulation may cause us to delay the introduction of, or prevent us from marketing, our existing or potential products for a considerable period of time and impose costly procedures on our activities. We have experienced delays in the regulatory process, and there exists risk that we may not receive approval of in-licensed products currently in the regulatory process.

To fully develop these products and other products we may acquire, substantial resources are required for extensive research, development, pre-clinical testing, clinical trials, and manufacturing scale-up and regulatory approval prior to the potential products being ready for sale. We cannot assure that our efforts will produce commercially viable products. We are obligated to make a milestone payment upon regulatory approval of certain products under development. If any of our products, even if developed and approved, cannot be successfully commercialized in a timely manner, our business will be harmed and the price of our stock may decline.

Market acceptance of any product that is successfully developed and approved will depend on many factors, including our ability to convince prospective customers to use our products as an alternative to other treatments and therapies. In addition, doctors must opt to use treatments involving our products. If doctors elect to use a different course of treatment, demand for our drug products would be reduced. In addition, for certain products we may need to convince partners to manuf acture or market our products. Our success will also depend upon pricing restrictions and reimbursement policies that will be imposed, and upon our ability to properly anticipate those. Failure to do any of the above will lead to an unfavorable outcome on the results of our operations.

Our sales are concentrated in China and we face risks relating to operating in China, including risks due to changes in the regulatory environment, slow payment cycles and exposure to fluctuations in the Chinese economy.

A significant portion of our revenue and profit is derived from operations in China. Consequently, our overall financial results are dependent on this market, and our business is exposed to risks there. A downturn in the Chinese economy could materially and adversely affect our revenues and results of operations. In addition to the risks relating to pricing previously discussed above, these risks also include changes in economic conditions (including wage and cost inflation, currency exchange rates, consumer spending and employment levels), tax rates, laws, changes in the regulatory environment, increased competition and potential noncompliance with local laws and regulations. Risks also include changing consumer product preferences and preferred sales channels, as well as our ability to accommodate such changing preferences. Certain risks and uncertainties of doing business in China are solely within the control of the Chinese government, and Chinese law regulates the scope of our foreign investments and business conducted within China. Any significant or prolonged deterioration in China’s relations with the United States and other countries could adversely affect our China business. There are also uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. There can be no assurance as to the future effect of any such risks and uncertainties on our results of operations, financial condition or cash flows.

We experience other issues with managing sales operations in China including long payment cycles, potential difficulties in timely accounts receivable collection and, especially from significant customers, fluctuations in the timing and amount of orders and the adverse effect of any of these issues on our business could be increased due to the concentration of our business with a small number of distributors. Problems with collections from, or sales to, any one of those distributors could materially adversely affect our results.

Our future results could be adversely affected by changes in laws and regulations, including, among others, changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law and regulatory interpretations, including changes affecting the taxation by the U.S. of income earned outside the U.S. that may result from pending and possible future proposals), competition laws, privacy laws and environmental laws in the U.S. and other countries.

Compliance with changing regulations concerning corporate governance and public disclosure has resulted in and may continue to result in additional expenses. Changing laws, regulations and standards relating to corporate governance and public disclosure, are creating uncertainty for companies such as ours and costs are increasing as a result of this uncertainty and other factors. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest all reasonably necessary resources to comply with evolving standards, and this investment has and may continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

The Company could be subject to changes in its tax rates, the adoption of new U . S . or international tax legislation or exposure to additional tax liabilities which could have a negative impact on our financial position and results of operations.

Currently all of our revenue is generated from customers located outside the U . S . , and a substantial portion of our assets, including employees, are located outside the U . S . U . S . income taxes and foreign withholding taxes have not been provided on certain undistributed earnings of non-U . S . subsidiaries, because such earnings are intended to be indefinitely reinvested in the operations of those subsidiaries. The U . S . government may propose initiatives that would substantially reduce our ability to defer U . S . taxes including: repealing deferral of U . S . taxation of foreign earnings, eliminating utilization or substantially reducing our ability to claim foreign tax credits, and eliminating various tax deductions until foreign earnings are repatriated to the U . S. If any of these proposals are constituted into legislation, they could increase our U . S . income tax liability and as a result have a negative impact on our financial position and results of operations.

Because of China's tiered method of importing and distributing finished pharmaceutical products, our quarterly results may vary substantially from one period to the next; we are dependent upon Sinopharm as the exclusive importer of ZADAXIN.

Imported products in China, including ZADAXIN and other imported products, are distributed through a tiered method to import and distribute finished pharmaceutical products. Promoted products are typically sold from our partner companies within China to the primary distributor with the following distribution being the same for imported as well as promoted products. At each port of entry, and prior to moving the product forward to the distributors, government-licensed importing agents must process and evaluate each imported product shipment to determine whether it satisfies China's quality assurance requirements. In order to efficiently manage this process, the importing agents typically place large, and therefore relatively few, orders within an annual period. Therefore, sales to an importing agent can vary substantially from quarter to quarter depending on the size and timing of the orders, which has in the past and may in the future cause our quarterly results to fluctuate. We rely on Sinopharm to supply our ZADAXIN sales in China . Our receivables from Sinopharm are material, and if we were unable to collect receivables from Sinopharm or any other importer, our business and cash-flow would be adversely affected.

Generally, our importers are not obligated to place purchase orders for our product, and if they determined for any reason not to place purchase orders, we would need to seek alternative licensed importers, which could cause fluctuations in our revenue. As a result of our agreement granting certain exclusive importation rights to Sinopharm for ZADAXIN, we are dependent upon Sinopharm’s performance of its obligations under that agreement. We have a long-standing and, we believe excellent, relationship with Sinopharm; however, if Sinopharm were unable to adequately perform its obligations under, or breached, the agreement our business would be adversely affected.

The existence of counterfeit pharmaceutical products in China’s pharmaceutical retail market may damage our brand and reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain medicine products distributed or sold in China’s pharmaceutical retail market, including th ose appearing to be ZADAXIN , may be counterfeit. Counterfeit products are products sold under the same or very similar brand names and/or have a similar appearance to genuine products. Counterfeit products, including counterfeit pharmaceutical products, are a significant problem in China and we have experienced counterfeiting of ZADAXIN . Such counterfeit products divert sales from genuine products, often are of lower cost, often are of lower quality (having different ingredients or formulations, for example), and have the potential to damage the reputation for quality and effectiveness of the genuine product. The counterfeit pharmaceutical product regulation control and enforcement system in China is not able to completely eliminate production and sale of counterfeit pharmaceutical products. To

increase our ability to prevent counterfeiting, we have taken several actions, including enhancements of our ZADAXIN product labeling to implement industry-leading labeling technology and implementation of product tracking applications. However we cannot eliminate counterfeiting and, any sale of counterfeit products resulting in adverse side effects to consumers may subject us to negative publicity and expenses. It could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to currency exchange rate fluctuations, which could adversely affect our financial performance.

Although our financial statements are denominated in U.S. dollars, a significant portion of our revenues and costs are realized in other currencies. Our profitability is affected by movement of the U.S. dollar against other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may also affect the reported value of our assets and liabilities, as well as our cash flows. Some foreign currencies are subject to government exchange controls.

The majority of our sales through June 30, 2016 were in U . S . dollars, although a portion of our sales were denominated in RMB. Per our previous contractual arrangement with Sinopharm through December 31, 2015, and a renewed contractual arrangement with Sinopharm (our sole importer and distributor for ZADAXIN in China) which took effect January 1, 2016, our sales of ZADAXIN to Sinopharm were denominated in U . S . dollars. However, the established importer price could be adjusted quarterly based upon exchange rate fluctuations between the U . S . dollar and RMB. Effective July 1, 2016, sales to Sinopharm are and will be denominated in RMB, linking our sales directly to the foreign currency (as opposed to a less-correlated basis via lagging adjustments). In recent months the RMB has experienced devaluation exposing us to increased foreign exchange risk and our revenues were adversely impacted by those fluctuations in the year ended December 31, 2016.

Our purchases with contract manufacturers are denominated in U . S . dollars and euros and costs of our marketing efforts in China are paid in local currency. In addition, we have certain cash balances and other assets and liabilities denominated in euros, RMB and Hong Kong dollars. A stronger U . S . dollar vis-à-vis the local currency would tend to have an adverse effect on sales and potentially on collection of accounts receivable and a positive effect on expenses . China currently maintains the value of the RMB in a narrow currency trading band that may or may not fluctuate based on government policy. For example, in August 2015, the Chinese government devalued the RMB and may further devalue the RMB at any time. This devaluation has resulted in the strengthening of the U . S . dollar and may reflect a weakening of the Chinese economy. Depending on market conditions and the state of the Chinese economy, China has intervened in the foreign exchange market in the past to prevent significant short-term fluctuations in the RMB exchange rate, and it could make future adjustments, including moving to a managed float system, with opportunistic interventions. This reserve diversification may negatively impact the U . S . dollar and U . S . interest rates. C hanges in exchange rates could unpredictably and adversely affect our operating results and could result in exchange losses. To date, we have not hedged against the risks associated with fluctuations in exchange rates and, therefore, exchange rate fluctuations could have a material adverse impact on our future operating results and stock price.

We cannot predict the safety profile of the use of ZADAXIN or other drugs we may develop or market particularly when used in combination with other drugs.

While ZADAXIN has an excellent safety profile, we cannot predict whether ZADAXIN or any product we market may have unexpected safety issues in a particular patient population or when used in new indications. In addition, we cannot predict how ZADAXIN or other drugs we may develop or market will work with other drugs, including causing possible adverse side effects not directly attributable to the other drugs that could compromise the safety profile of ZADAXIN or other drugs we may develop or market when used in certain combination therapies. We are exploring new indications for ZADAXIN and there is a risk that new safety issues could appear in these new patient populations.

As we introduce new products, there may be adverse safety events related to those products. Adverse safety events may have a negative impact on our business. Discovery of safety issues with our products could create product liability and could cause additional regulatory scrutiny and requirements for additional labeling, withdrawal of products from the market, and the imposition of fines or criminal penalties. Adverse safety events may also damage physician and patient confidence in our products and our reputation. Any of these could result in liabilities, loss of revenue, material write-offs of inventory, material impairments of goodwill and fixed assets, material restructuring charges and other adverse impacts on our results of operations.

Regulatory authorities are making greater amounts of stand-alone safety information directly available to the public through periodic safety update reports, patient registries and other reporting requirements. The reporting of adverse safety events involving our

products or products similar to ours and public rumors about such events may increase claims against us and may also cause our product sales or stock price to decline or experience periods of volatility.

If third-party reimbursement is not available or patients cannot otherwise pay for ZADAXIN or other drugs we may develop, we may not be able to successfully market them.

Significant uncertainty exists as to the reimbursement status of therapeutic products, such as ZADAXIN or other drugs we may develop. We cannot assure you that third-party insurance coverage and reimbursement will be available for therapeutic products we might develop. Although ZADAXIN receives some limited reimbursement in China, we cannot assure you that we will be able to maintain existing reimbursements or increase third-party payments for ZADAXIN or obtain third-party payments for other products that we sell or develop in China. The failure to maintain third-party reimbursement for our products would harm our business. In many emerging markets where we have marketing rights to ZADAXIN, but where government resources and per capita income may be so low that our products will be prohibitively expensive, we may not be able to market our products on economically favorable terms, if at all.

Recent efforts by governmental and third-party payers to contain or reduce health care costs and the announcement of legislative proposals and reforms to implement government controls has caused us to reduce the prices at which we market our drugs in China, and additional reforms, if they were to occur, could cause us to further reduce our prices which could reduce our gross margins and may harm our business.

We rely on third parties who are our sole source suppliers for our clinical trial and commercial products and their inability to deliver products that meet our quality-control standards could delay or harm one or more important areas of our business including our sales, clinical trials or the regulatory approval process.

We rely on third parties, who are subject to regulatory oversight, to supply our commercial products. Any deficiencies or shortages in supply of our commercial products would adversely affect our ability to realize our sales plans. For example, the manufacturing of the raw material and the processing to finished product of ZADAXIN is done in few batches in any given three-month period and any manufacturing errors have the potential to require a product recall. We currently have only one approved finished vial manufacturer and two approved active pharmaceutical ingredient ("API") suppliers. Similarly, ONXEO (formerly BioAlliance) is the sole supplier of Loramyc and each of the products that are marketed through our NovaMed Shanghai and our SciClone Pharmaceuticals (Jiangsu) Co. Ltd. subsidiaries are manufactured by, or obtained from, a single source.

If we experience a problem with a sole source manufacturer or our suppliers, our sales may suffer. We have experienced difficulties with obtaining product from manufacturers in the past. In addition, manufacturing interruptions or failure to comply with regulatory requirements by suppliers of our product candidates in clinical trial, or other could delay the trials or detract from the integrity of the trial data and its potential use in future regulatory filings.

During 2012, we experienced limitations on supply of several products we were promoting (each of which we no longer market) and the growth in the sales of those products was affected. During 2011, we experienced manufacturing delays related to repairs for general, non-production-related facilities equipment at one of our API suppliers. During 2010, we experienced difficulties validating upgrades to equipment with one of our API manufacturers. Although we are taking steps to ensure that such problems do not continue, there is no assurance that we will either be successful in doing so with our current supplier or be able to timely and cost-effectively qualify new suppliers for this component.

If our thymalfasin API or ZADAXIN products are not shipped and stored at precision temperatures, the products could become damaged, which could negatively affect our sales and operating results.

Thymalfasin API and ZADAXIN are temperature sensitive products. SciClone relies on third-party organizations to provide controlled temperature shipping logistics services from the point of ownership transfer from the API contract manufacturer to the point where thymalfasin API is converted to ZADAXIN drug product, and from the ZADAXIN drug product manufacturing site to our storage locations in Hong Kong and then to China. Although some temperature excursions are allowable and thymalfasin and ZADAXIN are relatively stable when exposed to temperatures higher than recommended, if any third-party logistics or equipment provider fails to perform their required oversight duties with respect to temperature control or a shipment is delayed in transit for a prolonged period of time, the thymalfasin API or ZADAXIN drug product could become unsuitable for subsequent processing or commercial use. Although we have not experienced cold chain interruptions in the past and our distributor in China may maintain several months supply of our product, were our cold chain distribution or warehouse capability to be interrupted, our ability to timely

deliver finished product to China could be adversely affected, which in turn could materially adversely affect our sales and operating results.

We rely on third parties for development, commercialization and other aspects of our business, and the inability of any of these parties to reliably, timely or cost-effectively provide us with their obligated services could materially harm the timing of bringing our products to market and accordingly adversely affect our business.

We rely on third parties, such as collaboration partners, contract research organizations, medical institutions, clinical investigators, and contract laboratories, in the research and development of our product candidates and in the conduct of clinical trial s for our product candidates. We are also dependent upon third parties for the commercialization or distribution of pr oducts or product candidates. If these parties, whom we do not control, do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, or if our collabor ation partners do not have the ability or the resources to successfully complete their objectives, or choose not to continue their relationship with us, our development efforts could be delayed, suspended or terminated, or our commercialization efforts may be delaye d, impaired or terminated. If the quality or accuracy of the data they obtain by third parties is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our pre-clinical or clinical activities could be delayed and we may not be able to obtain regulatory approval for our product candidates.

Our rights to develop, market and sell our products and future product candidates are held under license and other agreements, and the third parties to those agreements might elect not to renew them.

Except for ZADAXIN, our rights to develop, market and sell our products including licensed products and products currently promoted or sold, are held by us under license, promotion, distribution or marketing agreements with third parties. These agreements for products include products in the regulatory review process, including products in clinical trials that are held under license, distribution or marketing agreements. In addition, our success in the future may be dependent on entering into similar agreements with other parties and the renewal of any such agreements. The third parties to these agreements are generally not under an obligation to renew the agreements, and in some cases have not renewed the agreements, which has affected our revenues. If any of these agreements are terminated, or if they are not renewed, our ability to develop or distribute the products or product candidates could be terminated and our business could be affected.

If we are unable to retain our key personnel, or are unable to attract and retain additional, highly skilled and experienced personnel, including the ability to expand our sales staff, our business will suffer.

We are highly dependent upon our ability to attract and retain qualified personnel because of the specialized, scientific and worldwide nature of our business. We are also dependent on our ability to appropriately staff these personnel in appropriate positions as our business fluctuates. Further, our efforts to in-license or acquire, develop and commercialize product candidates in current or new jurisdictions may require the addition of clinical and regulatory personnel and the expansion of, or changes in our sales and marketing operation. In addition, we assign numerous key responsibilities to a limited number of individuals, and we would experience difficulty in finding immediate replacements for any of them were any one of them to choose to leave employment with us. There is intense competition for qualified management, scientific, clinical, regulatory, and sales and marketing personnel in the pharmaceutical industry.

There is significant turnover in the industry, in China in particular, and we have also experienced turnover in our sales personnel and key employees. We may not be able to attract and retain the qualified personnel we need to grow and develop our business globally.

We have terminated personnel for violations of our policies and procedures as well as for lack of performance. Our future success will depend in part on our retaining key personnel and on recruiting additional senior sales and other personnel in China. We are continuously recruiting executives and other level personnel to address departures and to expand and strengthen our China operations.

Conversely, if we need to reduce the size of a particular aspect of our business, including if we have contracts that are not renewed or renegotiated for products we market or promote, we are also dependent on our ability to make such adjustments while retaining suitably skilled personnel. If we were unable to attract and retain qualified personnel as needed or promptly replace those employees who are critical to our sales, development and other operations, and in particular senior executives, our financial results and operations would be adversely affected. At this time, we do not maintain “key person” life insurance for any of our personnel.

We may need to obtain additional funding to support our long-term product development, including funding of in-licensed products, and commercialization programs.

We believe our existing cash and cash equivalents and ongoing revenue generating business operations will be sufficient to support our current operating plan for at least the next 12 months. We may use cash to acquire additional product rights or for future acquisitions. Our ability to achieve and sustain operating profitability is dependent on numerous factors including our ability to achieve increasing sales of ZADAXIN in China, and for our other products and the execution and successful completion of clinical trials in China. Further, we may use cash to fund products we in-license. We cannot assure you that such funds from operating activities will be sufficient, or that we will attain profitable operations in future periods. In addition, we intend to develop other products and we may need additional funds in the future to support such development and to support future growth and achieve profitability. If we need to raise additional funds in the future and such funds are not available on reasonable terms, if at all, our commercialization efforts may be impeded, our revenues may be limited and our operating results may suffer.

We are subject to the risk of increased income taxes which could reduce our future income.

We have structured our operations in a manner designed to maximize income in countries where:

- tax incentives have been extended to encourage foreign investment; or
- income tax rates are low.

Our taxes could increase if certain tax holidays or incentives are not renewed upon expiration, or if tax rates applicable to us in such jurisdictions are otherwise increased. In addition, the Company and its subsidiaries are regularly subject to tax return audits and examinations by various taxing jurisdictions, particularly in the U.S. and China. In determining the adequacy of our provision for income taxes, we regularly assess the likelihood of adverse outcomes resulting from tax examinations. While it is often difficult to predict the final outcome or the timing of the resolution of a tax examination, we believe that our reserves for uncertain tax positions reflect the outcome of tax positions that are more likely than not to occur. However, we cannot be certain that the final determination of any tax examinations will not be materially different than that which is reflected in our income tax provisions and accruals. Should additional taxes be assessed as a result of a current or future examination, there could be a material adverse effect on our tax provision, operating results, financial position and cash flows in the period or periods for which that determination is made.

Our taxes could also increase if our ability to defer U.S. federal taxes under current tax laws were to change as a result of changes in tax law that prevent us from asserting indefinite reinvestment of offshore undistributed earnings or as a result of a change in our intention regarding distribution of these offshore undistributed earnings.

If we fail to protect our products, technologies and trade secrets, we may not be able to successfully use, manufacture, market or sell our products, or we may fail to advance or maintain our competitive position, and we have limited intellectual property protection in China.

Our success depends significantly on our ability to obtain and maintain meaningful patent protection for our products and technologies and to preserve our trade secrets. Our pending patent applications may not result in the issuance of patents in the future. Our patents or patent applications may not have priority over others' applications. Our existing patents and additional patents that may be issued, if any, may not provide a competitive advantage to us or may be invalidated or circumvented by our competitors. Others may independently develop similar products or design around patents issued or licensed to us. Patents issued to, or patent applications filed by, other companies could harm our ability to use, manufacture, market or sell our products or maintain our competitive position with respect to our products. Although many of our patents relating to thymalfasin have expired, including composition of matter patents, we have rights to other patents and patent applications relating to thymalfasin and thymalfasin analogues, including method of use patents with respect to the use of thymalfasin for certain indications. Additionally, thymalfasin has received Orphan Drug designation in the U.S. for the treatment of stage 2b through stage 4 melanoma, for the treatment of chronic active hepatitis B, for the treatment of DiGeorge anomaly with immune defects, and for the treatment of hepatocellular carcinoma. If other parties develop generic forms of thymalfasin for other indications, including conducting clinical trials for such indications, our patents and other rights might not be sufficient to prohibit them from marketing and selling such generic forms of thymalfasin or their brands of thymalfasin. If other parties develop analogues or derivatives of thymalfasin, our patents and other rights might not be sufficient to prohibit them from marketing these analogues or derivatives.

Pharmaceutical products are either not patentable or have only recently become patentable in some of the countries in which we market or may market thymalfasin. We do not have composition patent claims directed to the thymalfasin that is currently marketed in China, our largest market, although we do have other type of patent claims, pending or issued, directed to other aspects of thymalfasin therapy. Other companies market generic thymalfasin in China, potentially in violation of our patent, trademark or other rights which, to date, we have defended by informing physicians and hospitals of the practice. Past enforcement of intellectual property rights in many of these countries, including China in particular, has been limited or non-existent. Future enforcement of patents and proprietary rights in many other countries will likely be problematic or unpredictable. Moreover, the issuance of a patent in one country does not assure the issuance of a similar patent in another country. Claim interpretation and infringement laws vary by nation, so the extent of any patent protection is uncertain and may vary in different jurisdictions.

If we are involved in intellectual property claims and litigation, the proceedings may divert our resources and subject us to significant liability for damages, substantial litigation expense and the loss of our proprietary rights.

Our commercial success depends in part on our not infringing valid, enforceable patents or proprietary rights of third parties, and not breaching any licenses that may relate to our technologies and products. In addition, we may not be aware of all patents or patent applications that may impact our ability to make, use or sell any of our potential products. For example, U . S . patent applications may be kept confidential for 12 or more months while pending in the Patent and Trademark Office, and patent applications filed in foreign countries are often first published nine months or more after filing. It is possible that we may unintentionally infringe these patents or other patents or proprietary rights of third parties. We may in the future receive notices claiming infringement from third parties as well as invitations to take licenses under third-party patents. Any legal action against us or our collaborative partners claiming damages and seeking to enjoin commercial activities relating to our products and processes affected by third-party rights may require us or our collaborative partners to obtain licenses in order to continue to manufacture or market the affected products and processes. Our efforts to defend against any of these claims, regardless of merit, would require us to devote resources and attention that could have been directed to our operations and growth plans. In addition, these actions may subject us to potential liability for damages. We or our collaborative partners may not prevail in a patent action and any license required under a patent may not be made available on commercially acceptable terms, or at all. Any conflicts resulting from the patent rights of others could significantly reduce the coverage of our patents and limit our ability to obtain meaningful patent protection.

If other companies obtain patents with conflicting claims, we may be required to obtain licenses to those patents or develop or obtain alternate technology to manufacture or market the affected products and processes. We may not be able to obtain any such licenses on acceptable terms or at all. Any failure to obtain such licenses could delay or prevent us from pursuing the development or commercialization of our potential products. Our efforts to defend against any of these claims would require us to devote resources and attention that could have been directed to our operations and growth plans.

We may need to initiate litigation, which could be time-consuming and expensive, to enforce our proprietary rights or to determine the scope and validity of others' rights. If litigation results, a court may find our patents or those of our licensors invalid or may find that we have infringed on a competitor's rights. If any of our competitors have filed patent applications in the U.S. that claim technology we also have invented, the Patent and Trademark Office may require us to participate in expensive interference proceedings to determine who has the right to a patent for the technology. These actions may subject us to potential liability for damages. We or our collaborative partners may not prevail in a patent action and any license required under a patent may not be made available on commercially acceptable terms, or at all.

Substantial sales of our stock or securities convertible into shares of our stock or the exercise or conversion of options may impact the market price of our common stock.

We may conduct future offerings of our common stock, preferred stock or other securities convertible into our common stock to fund acquisitions, finance oper ations and for other purposes. Future issuances of substantial amounts of our common stock could adversely affect the market price of our common stock. Similarly, if we raise additional funds through the issuance of common stock or securities convertible into or exercisable for common stock or sell equity in a subsidiary, the percentage ownership of our present stockholders of the respective entities will be reduced and the price of our common stock may fall.

Our cash, cash equivalents and investment in common stock are subject to certain risks which could materially adversely affect our overall financial position.

We invest our cash and cash equivalents in accordance with an established internal policy and customarily in instruments which historically have been highly liquid an d carried relatively low risk. However, in recent years, similar types of investments have experienced losses in value or liquidity issues which differ from their historical pattern. For example, we routinely have invested in money market funds with large financial institutions. One or more of these funds could experience losses or liquidity problems and, although to date some of the largest financial institutions who sponsor such funds have offset similar losses, there is no assurance that our financial institutions would either not incur losses or would offset any losses were they to occur.

Any adjustment to decrease the ratings of our investments by a statistical rating organization (such as Moody's or Standard and Poor's) may have a negative impact on the value of our investments.

Should any of our cash investments permanently lose value or have their liquidity impaired, it would have a material and adverse effect on our overall financial position by imperiling our ability to fund our operations and forcing us to seek additional financing sooner than we would otherwise and such financing may not be available on commercially attractive terms.

If our common stock investment in Soligenix were to permanently lose value on an other than temporary basis , our financial position could be negatively impacted with a charge to operations.

In addition, financial instruments may subject us to a concentration of credit risk. Most of our cash and cash equivalents are held by a limited number of financial institutions. To date, we have not experienced any losses on our deposits of cash and cash equivalents. However, if any of these instruments permanently lost value or have their liquidity impaired, it would also have a material and adverse effect on our overall financial position by imperiling our ability to fund our operations and forcing us to seek additional financing sooner than we would otherwise and such financing may not be available on commercially attractive terms.

We expect that we may need to transfer capital to certain of our China subsidiaries from time to time to fund their operations. We need to obtain regulatory approval from China's State Administration of Foreign Exchange ("SAFE") in order to make such transfers and there can be no assurance that we will be able to obtain such approval in a timely manner. We were able to fund the operations of NovaMed Shanghai to date through commercial credit facilities or through intercompany loans, but we could face difficulties in the future if our efforts to improve profitability and cash flow in NovaMed Shanghai or our other China subsidiaries are not successful, or if we are unable to obtain SAFE approval or obtain further funding for them.

Furthermore, a majority of our cash is held by our foreign subsidiaries. Such cash is used to fund the operating activities of our foreign subsidiaries and for further investment in foreign operations. Based on our current operating plan, we do not anticipate the need to repatriate undistributed earnings of our foreign subsidiaries accum ulated through December 31, 2016 . We plan to repatriate a portion of expected foreign earnings to be generated in future years to fund our U.S. operations. We have provided for U.S. income taxes on a portion of recent year s' foreign earnings that we have repatriated from our foreign subsidiaries, and our annual effective tax rate for the respective periods reflects both the provisions as well as benefits associated with our operations. We plan to indefinitel y reinvest outside of the U.S. remaining unrepatriated future foreign earnings expected to be generated in 2017 and beyond .

Our loans receivable are subject to certain risks which could materially adversely affect our financial position.

As part of our May 2013 license and supply agreement with Zensun, we agreed to loan up to $12 million to Zensun, of which $12 million had been loaned as of December 31, 2016. The proceeds of the loans are to be used for working capital and general corporate purposes by Zensun. As security for the loan agreements, Zensun pledged its entire equity interest in its subsidiary Shanghai Dongxin Biochemical Technology Co. Ltd. (whose assets include real property) to us. If the real property which comprises the majority of the value of all of the assets pledged as security were to suffer a decrease in its value due to macroeconomic conditions or local market-specific factors impacting commercial real estate market values, such a fact may represent an indication of loan impairment. If these loans were to become impaired and the loans could not be collected, our financial position could be negatively impacted with a charge to operations for the amount of any unpaid principal and interest.

Our ability to utilize our tax attributes may be limited by an "ownership change".

Our ability to use our tax attributes, such as our U.S. federal income tax net operating loss carryforwards and our tax credit carryforwards, may be substantially restricted if we have had in the past, or have in the future, an "ownership change" as defined in

Section 382 of the U.S. Internal Revenue Code. An ownership change occurs if increases in the percentage of our stock held by "5-percent shareholders" (within the meaning of Section 382, which provides that certain public groups can be treated as 5-percent shareholders) collectively exceed more than fifty percent, comparing the lowest percentage of stock owned by each 5-percent shareholder at any time during the testing period (which is generally a three-year rolling period) to the percentage of stock owned by the 5-percent shareholder immediately after the close of any owner shift testing date. Our repurchases of our common s tock, issuances of any additio nal significant amounts of our common s tock for future acquisitions or other transactions and trading in our stock by stockholders, may have increased the possibility that in the future we could experience an ownership change. Trading by our stockholders, stock repurchases or other transactions could, in the future, cause an ownership change, resulting in an annual limitation on utilization of our tax attributes. If our tax attribute usage is subject to limitation and if we are profitable, our future cash flows could be adversely affected due to an increased tax liability.

Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us, which may be beneficial to our stockholders, more difficult.

Certain anti-takeover provisions of Delaware law and our charter documents as currently in effect may make a change in control of our company more difficult, even if a change in control would be beneficial to our stockholders. Our charter documents contain certain anti-takeover provisions, including provisions in our certificate of incorporation providing that stockholders may not cumulate votes, stockholders' meetings may be called by stockholders only if they hold 25% or more of our common stock and provisions in our bylaws providing that the stockholders may not take action by written consent. Additionally, our Board of Directors has the authority to issue 10 million shares of preferred stock and to determine the terms of those shares of stock without any further action by the stockholders. The rights of holders of our common stock are subject to the rights of the holders of any preferred stock that may be issued. The issuance of preferred stock could make it more difficult for a third-party to acquire a majority of our outstanding voting stock. Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, the Board of Directors approves the transaction. Our Board of Directors may use these provisions to prevent changes in the management and control of our company. Although our Rights Agreement dated December 19, 2006 expired on its scheduled expiration date of December 19, 2016, our Board of Directors could adopt another rights plan with anti- takeover effects in the future. Also, under applicable Delaware law, our Board of Directors may adopt additional anti-takeover measures in the future.

Our business could be negatively affected as a result of actions of stockholders.

The actions of stockholders could adversely affect our business. Specifically, certain actions of certain types of stockholders, including without limitation public proposals, requests to pursue a strategic combination or other transaction or special demands or requests, could disrupt our operations, be costly and time-consuming or divert the attention of our management , directors and employees. In addition, perceived uncertainties as to our future direction in relation to the actions of our stockholders may result in the loss of potential business opportunities or the perception that we are unstable and need to make changes, which may be exploited by our competitors and make it more difficult to attract and retain personnel as well as customers, service providers and partners. Actions by our stockholders may also cause fluctuations in our stock price based on speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

We may be subject to product liability lawsuits, and our insurance may be inadequate to cover damages.

Clinical trials of any of our current and potential products or the actual commercial sales of our product may expose us to liability claims from the use of these products. We currently carry product liability insurance. However, we cannot be certain that we will be able to maintain insurance on acceptable terms, if at all, for clinical and commercial activities, that any insurance we have will cover any particular claim that is asserted, or that the insurance would be sufficient to cover any potential product liability claim or recall. If we fail to have sufficient coverage, our business, results of operations and cash flows could be adversely affected.

If we are unable to comply with environmental and other laws and regulations, our business may be harmed.

We are subject to various federal, state and local laws, regulations and recommendations relating to the use, manufacture, storage, handling and disposal of hazardous materials and waste products (including radioactive compounds and infectious disease agents), as well as safe working conditions, laboratory and manufacturing practices and the experimental use of animals. The extent of government regulation that might result from future legislation or administrative action in these areas cannot be accurately predicted.

We do not currently maintain hazardous materials at our facilities. While we outsource our research and development programs involving the controlled use of biohazardous materials, if in the future we conduct these programs ourselves, we might be required to incur significant cost to comply with environmental laws and regulations. Further, in the event of an accident, we would be liable for any damages that result, and the liability could exceed our resources.

Our business and operations are subject to the risks of being based in particular locations known for earthquakes, other natural catastrophic disasters and service interruptions.

Our corporate headquarters are located in the Silicon Valley area of Northern California, a region known for seismic activity. Although we maintain a disaster recovery policy that includes storage of important corporate data in a different geographic region of the U.S. , all of our significant corporate data is stored in our headquarters facility and accordingly, a significant natural disaster, such as an earthquake, could have a material adverse impact on our business, operating results, and financial condition. Most of our sales are into China for which we maintain our warehouses for finished goods in Hong Kong, which can experience severe typhoon storms, earthquakes or other natural catastrophic disasters. Although our distributors in China may maintain several months' supply of our product, were our warehouse capability to be interrupted, either through a natural disaster such as flooding or through a service interruption, such as a lack of electricity to power required air conditioning, our ability to timely deliver finished product to China could be adversely affected which in turn would materially adversely affect our sales and ensuing operating results.

We may be affected by climate change and market or regulatory responses to climate change.

Climate change, including the impact of global warming, could have a material adverse effect on our results of operations, financial condition, and liquidity if it were to disrupt the demand, supply or delivery of product, management of our business, or result in cost increases as a result of government regulation.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we store sensitive data, including intellectual property, our proprietary business information, certain information regarding our business partners, and personally identifiable information of our employees, in our computer networks. The secure maintenance and transmission of this information is critical to our operations and reputation. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Although we have not been adversely affected in any significant manner, we have experienced problems with information security in the past which we believe is primarily due to breaches of security by current or former employees gaining access to restricted information. Any such breach could compromise our computer networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Although we have purchased cyber liability insurance, any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, and damage our reputation, any of which could adversely affect our business and competitive position.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We currently lease approximately 11,900 square feet of office space for our corporate headquarters in Foster City, California, approximately 34,600 square feet of office space in China, primarily in Beijing and Shanghai, and lease approximately 6,1 00 square feet of combined office space in Hong Kong and Vietnam. We believe that our existing facilities will be adequate for our current needs and that additional space will be available as needed.

Item 3. ***Legal Proceedings***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock trades on The NASDAQ Global Select Market of the NASDAQ Stock Market under the symbol "SCLN."

The following table sets forth the high and low sales prices per share for the quarterly periods indicated, as reported by The NASDAQ Stock Market. The quotations shown represent inter-dealer prices without adjustment for retail markups, markdowns, or commissions, and may not necessarily reflect actual transactions.

	Price Range Common Stock	
	High	Low
2016		
4th quarter	$ 10.85	$ 8.55
3rd quarter	13.73	9.84
2nd quarter	15.03	10.74
1st quarter	11.15	7.37
2015		
4th quarter	$ 10.94	$ 6.70
3rd quarter	11.71	6.47
2nd quarter	9.87	8.07
1st quarter	9.65	7.01

S tockholders

As of March 7 , 201 7 , there were approximately 190 holders of record of our common stock and 51,505,795 shares of common stock issued and outstanding. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

We have not paid any dividends on our common stock during the fiscal years ended December 31, 2016, 2015 , and 2014, and do not currently have plans to pay any cash dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K is incorporated by reference from the section entitled "Equity Co mpensation Plan Information " in Part III, Item 12 of this Form 10-K.

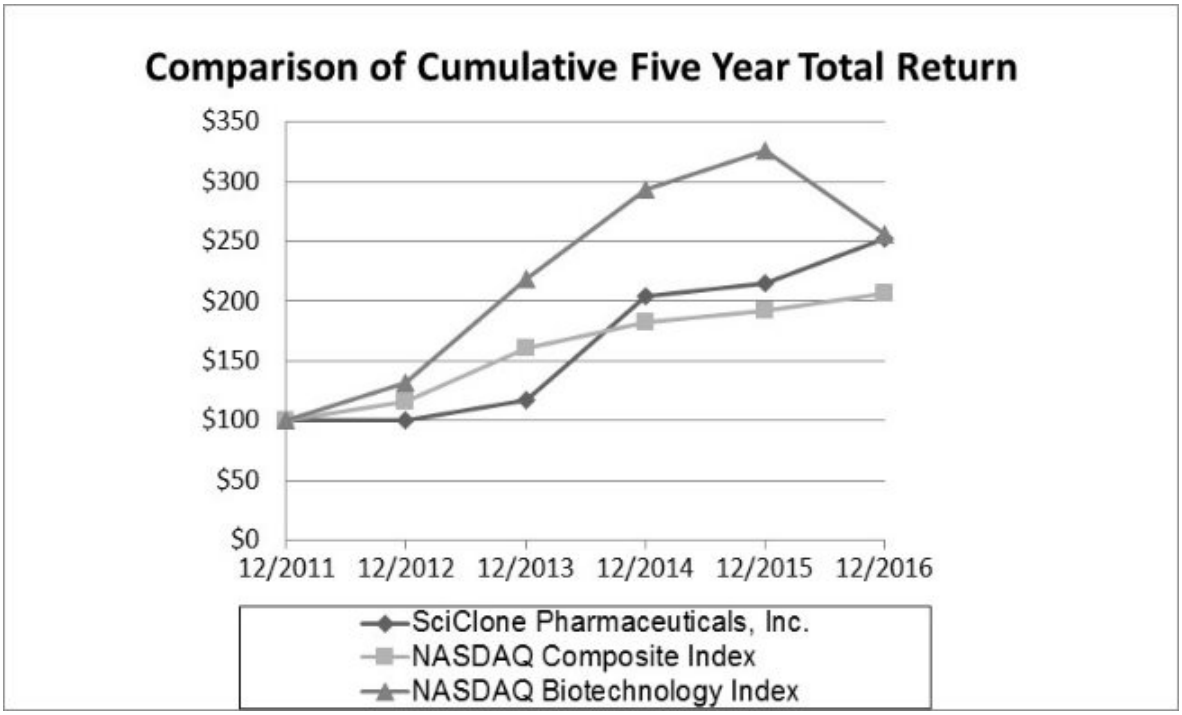
Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None .

Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act.

The following line graph compares the annual percentage change in (i) the cumulative total stockholder return on the Company's Comm on Stock since December 31, 201 1 , with (ii) the cumulative total return on (a) The NASDAQ Composite Index and (b) the NASDAQ Biotechnology Index. The comparison assumes (i) an investm ent of $100 on December 31, 2011 in each of the foregoing indices and (ii) reinvestment of dividends, if any. The stock price performance shown on the graph below is not necessarily indicative of future stock price performance.



Item 6. ***Selected Financial Data***

This section presents selected historical financial data for each of the last five fiscal years and is qualified by reference to and should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. The selected balance sh eet data as of December 31, 201 6 and 201 5 and the selected statement of operations data for each year ended December 31, 201 6 , 201 5 , and 201 4 have been derived from our audited financial statements that are included elsewhere in this report. The selected balance sheet data as of December 31, 2014 , 201 3 , and 201 2 and the selected statement of operations data for e ach year ended December 31, 201 3 and 2012 have been derived from our audited financial statements not included in this report. H istorical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,				
	(in thousands, except per share data)				
	2016	2015 [1]	2014	2013 [1]	2012 [2]
Statement of Operations data:					
Total net revenues	$ 160,096	$ 157,257	$ 134,790	$ 127,058	$ 156,269
Net income	$ 30,729	$ 29,463	$ 25,208	$ 10,964	$ 9,620
Basic net income per share	$ 0.61	$ 0.59	$ 0.49	$ 0.20	$ 0.17
Diluted net income per share	$ 0.58	$ 0.56	$ 0.48	$ 0.20	$ 0.16
Shares used in computing:					
Basic net income per share	50,235	49,797	51,277	53,587	56,637
Diluted net income per share	52,566	52,173	52,684	54,936	58,483

	As of December 31,				
	(in thousands)				
	2016	2015 [1]	2014	2013 [1]	2012 [2]
Balance Sheet data:					
Cash and cash equivalents	$ 134,395	$ 101,403	$ 86,228	$ 85,803	$ 84,228
Restricted cash in escrow for SEC settlement	—	12,826	—	—	—
Accounts receivable, net of allowance	41,510	39,363	40,268	39,771	38,109
Inventories	16,587	10,976	10,703	15,238	10,424
Deferred tax assets	—	299	326	6	369
Total current assets	195,733	168,521	140,197	143,417	137,329
Goodwill	30,838	32,979	34,521	35,357	34,313
Total assets	241,898	216,619	181,831	179,859	174,071
Borrowings	—	—	—	1,651	1,445
Deferred revenue	—	174	596	2,915	—
Deferred tax liabilities	—	—	—	—	153
Other long-term liabilities	92	87	114	44	237
Total stockholders' equity	215,365	179,712	155,274	146,595	143,022

(1) We recorded a charge of $2.0 million for 2013 related to the possibility of a settlement, and recorded an additional charge of $10.8 million associated with the SEC settlement for 2015. Refer to Part II, Item 8, Note 15 " *Contingencies* " for further information on this matter .

(2) During fiscal 2012, we identified an impairment indicator with respect to our intangible assets related to our promotion and distribution contract rights and recorded losses of approximately $42.7 million to recognize the full impairment. We recorded a benefit for income tax of approximately $6.8 million for the year ended December 31, 2012 due to the impairment of intangible assets, which resulted in a reversal of deferred tax liabilities. This was partially offset by the impact of recognizing a full valuation allowance on any remaining NovaMed Shanghai deferred tax assets. In addition, we recorded a non-cash gain of $15.4 million related to the contingent consideration because revenue and EBITDA targets of NovaMed Shanghai were not achieved.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the "Selected Financial Data" and our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. This Management's Discussion and Analysis of Financial Condition and Results of Operations and other parts of this Annual Report on Form 10-K contain forward-looking statements which involve risks and uncertainties. See "Note Regarding Forward-Looking Statements" and "Risk Factors" contained in this Annual Report on Form 10-K.

SciClone Pharmaceuticals, Inc. (NASDAQ: SCLN) is a United States (" U.S. ")-headquartered, China-focused, specialty pharmaceutical company with a substantial commercial business and a product portfolio of therapies for oncology, infectious diseases and cardiovascular disorders. We are focused on continuing to grow our revenue and profitability. Our business and corporate strategy is focused primarily on the People's Republic of China ("China" or "PRC") where we have built a solid reputation and established a strong brand through many years of experience marketing our lead product, ZADAXIN ® (thymalfasin). In addition, we have an established business model with large pharmaceutical partners to promote and sell products and we are focused on establishing profitability in all of these collaborations. We believe our sales and marketing strengths position us to benefit from the long-term expansion of the pharmaceutical market in China. We seek to expand our presence in China and increase revenues by growing sales and profits of our current product portfolio, launching new products from our development pipeline, adding new, profitable product services agreements and leveraging our strong cash position to in-license additional products.

We operate in two segments which are generally based on the nature and location of our customers: 1) China and 2) the Rest of the World, which includes our U.S. and Hong Kong operations.

We have two categories of revenues: "product sales revenues" and "promotion services revenues." Our product sales revenues result from our proprietary and in-licensed products, including our lead product, ZADAXIN; DC Bead ®, a product for the embolization of malignant hypervascularized tumors, and products from Pfizer International Trading (Shanghai) Ltd. ("Pfizer"). ZADAXIN has the highest margins in our portfolio as it is a premium product sold exclusively by SciClone . Our "promotion services revenues" result from fees we receive for exclusively promoting oncology and cancer supportive care products in China for Baxter International, Inc. ("Baxter"). We recognize promotion services revenues as a percentage of our collaborator's product sales revenue for these exclusively promoted products.

ZADAXIN is approved in over 30 countries and may be used for the treatment of HBV, HCV, and certain cancers, and as an immune system enhancer according to the local regulatory approvals we have in these countries. In China, thymalfasin is included in the treatment guidelines issued by the Ministry of Health ("MOH") for liver cancer, as well as guidelines for treatment of chronic HBV (issued by both the Chinese Medical Association and the Asian-Pacific Association for the Study of the Liver) and invasive fungal infections of critically ill patients (issued by the Chinese Medical Association). We are also seeking to expand the indications for which ZADAXIN could be used, including sepsis, and on September 26, 2016, we announced the first patient has been treated in clinical trial in sepsis using ZADAXIN in China.

We initiated sales and recorded our first product revenue from DC Bead in the third quarter of fiscal 2015. The China Food and Drug Administration had approved the registration of DC Bead for the embolization of malignant hypervascularized tumors in August 2014. DC Bead may be used to treat liver cancer, a large and growing indication in China .

We are also pursuing the registration of Loramyc ®, a mucoadhesive tablet formulation of miconazole lauriad to treat oropharyngeal candidiasis.

Our agreement with Baxter is for a 5-year term, through December 2017, and our agreement with Pfizer is for a 5-year term, through June 2019. We continue to seek in-licensing arrangements for well-differentiated products at various stages of development that, if not yet approved, have a defined regulatory approval pathway in China , to increase our revenues and profitability . W e have in license agreements for the following products.

Our I n- Licensed Drug Candidates in Clinical Development Include the Following :

PT-112 : On September 26, 2016, we also announced the first patient has been treated in the Phase 1 proof-of-concept trial of PT-112, a multi-targeted platinum-pyrophosphate anticancer agent being developed for patients with advanced solid tumors, in Taiwan. PT-112 is a key early-stage asset supporting our strategy to expand our oncology portfolio and drive long-term growth. We

obtained, in 2015, exclusive development and commercialization rights from Pho splatin Therapeutics to PT-112 for Greater China (mainland China, Hong Kong, and Macau) and Vietnam, along with the exclusive option to expand the territory to include South Korea and Taiwan.

SGX942 : On September 12, 2016, we and Soligenix, Inc. announced that we entered into an exclusive license agreement granting rights to SciClone to develop, promote, market , distribute and sell SGX942 (dusquetide), a novel, first-in-class therapy being developed for the treatment of oral mucositis in patients with head and neck cancer. The licensing agreement includes the People's Republic of China, Hong Kong , Macau, Taiwan, South Korea and Vietnam (the "Territory"). This exclusive agreement builds on an existing collaboration, in which we provided our complete oral mucositis clinical and regulatory data library to Soligenix in exchange for certain, previously undisclosed, commercialization rights to SGX942 in the Greater China market (the "2013 exchange ") . The Phase 2 results reported by Soligenix, Inc. showed a significant reduction in the duration of severe oral mucositis in patients receiving chemoradiation therapy for treatment of their head and neck cancer.

Under the terms of the agreement, we transferred cash consideration of $3 million to Soligenix for 3,529,412 shares of Soligenix common stock and expanded rights for SGX942 in Taiwan, South Korea, and Vietnam, as we had previously obtained rights for Greater China in the 2013 exchange. In October 2016, Soligenix announced a 1 for 10 reverse stock split resulting in the Company's ownership of 352,94 2 shares. In addition, we will be responsible for all aspects of development, product registration and commercialization in the Territory, having access to data generated by Soligenix. In the future, we will pay to Soligenix royalties on net sales, and Soligenix will supply commercial drug product to us on a cost-plus basis, while maintaining worldwide manufacturing rights.

VIBATIV ® (telavancin): In May 2015, Theravance Biopharma, Inc. ("Theravance Biopharma") granted SciClone exclusive development and commercialization rights to VIBATIV (telavancin) in China, Hong Kong, Macao, Taiwan and Vietnam, in exchange for upfront and regulatory milestone payments totaling $6 million. SciClone will be responsible for all aspects of development and commercialization in the partnered regions, including pre- and post-launch activities and product registration. SciClone will initially develop VIBATIV for hospital-acquired bacterial pneumonia and ventilator-associated bacterial pneumonia, and additional indications may include complicated skin and skin structure infections and potentially bacteremia. Theravance Biopharma will sell to SciClone all clinical and commercial product required to develop and commercialize VIBATIV in China and our other licensed territories. We anticipate commencing a bridging trial for VIBATIV.

Angiomax ® (bivalirudin) and Cleviprex ® (clevidipine): In December 2014, we entered into a strategic partnership with The Medicines Company. The partnership includes an agreement granting us a license and the exclusive rights in China to promote two cardiovascular products including 1) Angiomax (bivalirudin) for Injection, an anticoagulant indicated in patients undergoing percutaneous coronary intervention (PCI) with provisional use of glycoprotein IIb/IIIa inhibitor (GPI) and in patients with, or at risk of, heparin-induced thrombocytopenia and thrombosis syndrome undergoing PCI for which a Phase 3 registration trial was completed in China . W e have received Clinical Trial A pplication (" CTA ") approval and a Clinical Trial Waiver from the China Food and Drug Administration ("CFDA") in December 2016, and are in the process of preparing a New Drug Application ("NDA") , and 2) Cleviprex (clevidipine) Injectable Emulsion, a third-generation dihydropyridine calcium channel blocker indicated for the reduction of blood pressure when oral therapy is not feasible or desirable for which a CTA for China was filed in 2013. We received CTA approval from the CFDA in early 2016 and are preparing a clinical study. As Chiesi USA, Inc. and its parent company, Chiesi Farmaceutici S.p.A. ("Chiesi") , acquired the rights to Cleviprex in June 2016 from the Medicines Company, SciClone will now be working together with Chiesi and The Medicines Company to progress the Cleviprex clinical study going forward. Under the terms of the agreement, which apply to Chiesi for Cleviprex, we will be responsible for all aspects of commercialization, including pre-and post-launch activities, for both products (Cleviprex and Angiomax) in the China market (excluding Hong Kong and Macao). We have also agreed to participate in the China registration process for both products. Financial terms of the agreement s for the two products , in addition to net sales royalties payable to The Medicines Company and/or Chiesi , include the following additional payments to The Medicines Company and /or Chiesi: an upfront payment made in the fourth quarter of 2014; a project support services fee; and regulatory/commercial success milestone payments of up to an aggregate of $50.5 million.

Neucardin ™: In May 2013, we entered into a framework agreement with Zensun (Shanghai) Science & Technology Co., Ltd. ("Zensun") for the exclusive promotion, marketing, distribution and sale of Neucardin in China, Hong Kong and Macao. Neucardin is a novel, first-in-class therapeutic for the treatment of patients with intermediate to advanced hear t failure, for which an NDA was submitted to and accepted for review by the CFDA in 2012. In December 2013, the CFDA informed Zensun that its Phase 2 data is insufficient, and has asked Zensun to submit a new NDA once the ongoing Phase 3 study reached its endpoints. As part of our

agreement with Zensun, we agreed to loan up to $12 million to Zensun, of which $12 million had been loaned as of December 31 , 2016 (refer to Note 6 to the consolidated financial statements appearing under Part I I, Item 8 for further information regarding the Zensun loans).

ABTL-0812: Our license agreement with Ability Pharmaceuticals SL grants us a license and the exclusive rights to develop, manufacture and commercialize ABTL-0812 in China, Macau, Hong Kong, Taiwan, and Vietnam. ABTL-0812 is a first-in-class P13K/Akt/mTOR signaling pathway inhibitor for solid tumors , important in regulating the cell cycle . We are currently preparing for a phase 1 proof-of-concept trial in Taiwan and Mainland China .

Governmental Policy Changes in China

G overnmental policy changes in China have eliminated national regulation of the maximum retail drug prices for most drugs effective as of June 1, 2015. Decisions by provincial authorities appear to be emerging as the primary governmental mechanism for price controls. As an example, the Zhejiang provincial authority announced a price limitation for sales of ZADAXIN in the province in April 2015 that became effective in May 2015. We were able to mitigate the impact of this price limitation by shifting an equitable portion of the burden of the price reduction to our distributor in our sales channel; accordingly, the impact of the price reduction for the year ended December 31, 2015 was $2.8 million. Under our new contractual arrangement with Sinopharm, effective January 1, 2016, the lower tender price is reflected in a lower base invoice price to Sinopharm , as further described in the following section under "Results of Operations, *Revenues* " . We anticipate that provincial pricing decisions will continue to be a significant factor in the China pharmaceutical market for the foreseeable future. The impact of such decisions on our future results is unpredictable, but we expect that pric ing pressures on revenue in 2017 will be offset at least in significant part through sharing of the burden with our China distributor and potentially through volume increases. However, in the future, prices could be reduced to levels significantly below those that would prevail in an unregulated market, which may limit the growth of our revenues or cause them to decline.

We believe our cash and cash equivalents as of December 31 , 2016 and ongoing revenue generating business operations will be sufficient to support our current operating plan for at least the next 12 months. Our results may fluctuate from quarter to quarter and we may report losses in the future.

Results of Operations

Revenues:

The following table summarizes the year over year changes in our product sales and promotion services revenues *(in thousands):*

	Years Ended December 31,				
	2016	Change	2015	Change	2014
Product Sales, net	$ 155,937	1%	$ 154,329	17%	$ 131,973
Promotion Services	4,159	42%	2,928	4%	2,817
Total Net Revenues	$ 160,096	2%	$ 157,257	17%	$ 134,790

Product sales were $155.9 million, $ 154.3 million , and $132.0 million for the years ended December 31, 201 6 , 201 5 , and 2014 , respectively. The increase of $ 1.6 million, or 1 %, for the year ended December 31, 2016 compared to 2015, was primarily attributable to an increase in ZADAXIN unit sales and stronger demand for certain oncology products. ZADAXIN sales were $150.1 million for the year ended December 31 , 2016, compared to $146.1 mill ion for 2015, an increase of $4.0 million or 3 %, which mainly related to a 13 % increase in volum e sold, offset partially by a 10 % decrease in revenue realized primarily as a result of an u nfavorable exchange rate impact. Oncology p roduct sales increased $0.3 million for the year ended December 31, 2016, compared to the corresponding period of 2015 , related to greater market penetration . Aggrastat ® product sales were zero and $1.8 million for the year s ended December 31, 2016 and 2015, respectively, due to the termination of our agreement wi th Cardiome as discussed below. Product sales for the year ended December 31, 2015 also included initial immaterial DC Bead revenue.

The increase in product sales of $ 22.4 million, or 17 %, for the year ended December 31, 2015 compared to 2014, was primarily attributable to an increase in ZADAXIN unit sales and stronger demand for certain oncology products. ZADAXIN sales were $ 146.1 million for the year ended December 31, 2015, compared to $126.1 million for the prior year, an increase of $ 20.0 million , or 16 %, which mainly relat ed to a 21 % increase in volume sold, offset partially by a 5 % decrease in selling price mainly related to a decrease

in the list price of ZADAXIN in the Zhejiang province since May 2015 . Product sales for the year ended December 31, 2015, also increased compared to 2014, related to Pfizer product sales, initia l immaterial DC Bead revenue , and Aggrastat product sales .

Through June 30, 2015, our product sales revenues included Aggrastat, an intervention cardiology product launched in China in 2009, in-licensed from Cardiome Pharma Corp ("Cardiome"). In August 2015, we and Cardiome mutually agreed to end our collaboration for Aggrastat, thereby terminating our exclusive distribution rights in China, and returning all rights to the product to Cardiome. We recorded Aggrastat revenues of $1.8 million and $1.1 million for the years ended December 31, 2015 and 2014, respectively, none thereafter, and we do not expect to generate any further Aggrastat revenues.

Our new contractual arrangement with Sinopharm which commenced January 1, 2016 is resulting in the later recognition (relative to practices prevailing through December 31, 2015) of a portion of our revenue invoiced to Sinopharm in situations where the provincial tender price is greater relative to a reference (baseline) tender price. This is due to a price adjustment mechanism in the new contractual arrangement whereby Sinopharm is invoiced at a lower base price relative to that prevailing in the previous agreement. The lower base price (reduced by estimated price compensat ion payable to the distributor for situations where the provincial tender price is lower than the reference (baseline) tender price) is recorded as revenue at the time the sale is completed (arrived at destination). There are presently no provinces with tender prices below the reference (baseline) tender price, and therefore no price compensation payable situations. Sinopharm is then invoiced for the portion of the price that may result from situations where the provincial tender price is greater than the reference (baseline) tender price at a later time, and such amount will be recognized as revenue after the amount has been agreed upon with them . Although we do not expect this new arrangement to have a significant impact on annual revenue or the amount recognized on an annual basis, it has and may continue to impact our current and future quarterly revenue amounts and timing. For example, the price compensation receivable due to us from Sinopharm for above-reference tender price provinces for products originally sold in the first quarter of 2016 was recognized in the third quarter of 2016 , and the amount of price compensation receivable for products originally sold in the second and third quarter s of 2016 w as recognized in the fourth quarter of 2016 . We expect that the price compensation receivable due to us from Sinopharm for above-reference tender price provinces for a qua rter will be recognized on a one-to-two quarter delayed basis relative to the originating sales quarter going forward.

Per our previous contractual arrangement with Sinopharm through December 31, 2015, and the aforementioned renewed contractual arrangement with Sinopharm (our sole importer and distributor for ZADAXIN in China) which took effect January 1, 2016, our sales of ZADAXIN to Sinopharm were denominated in U . S . dollars through June 30, 2016. However, the established importer price was adjusted quarterly based upon exchange rate fluctuations between the U.S. dollar and RMB. Effective July 1, 2016, our sales of ZADAXIN to Sinopharm are and will be denominated in RMB going forward. Our China ZADAXIN sales revenues have been (under the prior adjustment mechanism which operated on a lag basis) and will be in the future (as invoiced directly in RMB) subject to exchange rate risk. In recent months the RMB has experienced devaluation.

We anticipate that ZADAXIN revenues in 2017 will be higher than 2016 , although our revenues are subject to exchange rate fluctuations and provincial adjustments to tender (retail level, government approved) prices which we cannot predict.

Recent governmental policy changes in China have eliminated national regulation of the maximum retail drug prices for most drugs effective as of June 1, 2015. Decisions by provincial authorities appear to be emerging as the primary governmental mechanism for price controls. As an example, the Zhejiang provincial authority announced a price limitation for sales of ZADAXIN in the province in April 2015 that became effective in May 2015. Changes in provincial drug prices for ZADAXIN in the provinces could impact our future sales revenues.

In China, pharmaceutical products are imported and distributed through a tiered method of distribution. For our proprietary product ZADAXIN, we manufacture our product using our U.S. and European contract manufacturers, and we generate our product sales revenue through sales of ZADAXIN product to Sinopharm. Sinopharm acts as an importer, and also as the top "tier" of the distribution system ("Tier 1") in China. Our ZADAXIN sales occur when Sinopharm purchases product from us without any right of return except for replacement of product in the event of damaged product or quality control issues. Passage of title and risk of loss are transferred to Sinopharm at the time of arrival of a shipment at its destination. After the sale, Sinopharm clears products through China import customs, sells directly to large hospitals and holds additional product it has purchased in inventory for sale to the next tier in the distribution system. The second-tier ("Tier 2") distributors are responsible for the further sale and distribution of the products they purchase from the importer, either through sales of product directly to the retail level (hospitals and pharmacies), or to third-tier ("Tier 3") local or regional distributors who, in turn, sell products to hospitals and pharmacies.

Promotion services revenue was $4.2 million, $ 2.9 million , and $2.8 million, for the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively, and related to products promot ed under agreements with Baxter. Promotion services revenue increased $1.3 million or 42 % for the year ended December 31, 2016, compared to 2015, mainly related to an increase in Endoxan ™ and Holoxan ™ sales. Promotion services revenue increased $ 0.1 million or 4 % for the year ended December 31, 2015, compared to 2014, related to an increase in Endoxan sales .

We continue to assess the financial performance of the products we promote and distribute under our agreements and their overall value within our entire portfolio of products. Over time, we anticipate the product mix that we promote will change, which may affect our revenues and profitability in the future. If any of these agreements are determined to no longer be beneficial to us and are allowed to expire, or if third parties will not renegotiate, renew or extend the agreements on terms acceptable to us, our revenues would be adversely affected and our profitability may be adversely or beneficially affected. On the other hand, if we are successful in negotiating better terms, there may be a positive impact on our revenues and profitability.

All of our promotion services revenue and a majority of our product revenues relate to our China segment. Total China revenues were $152.6 million, $ 151.6 million , and $130.3 million , or 95 %, 96%, and 97% of sales for t he years ended December 31, 2016 , 201 5 , and 201 4 , respectively . Rest of the World segment revenues were $7.5 million, $ 5.7 million , and $4.5 million , or 5 %, 4%, and 3%, for each of the years ended December 3 1, 201 6 , 201 5 and 201 4 , respectively, and related to sales of ZADAXIN product.

For the year s ended December 31, 2016, 2015 and 2014, sales to Sinopharm in China accounted for approximately 93 %, 97 % and 94% of our revenues , respectively . Our experience with our largest customer has been good and we anticipate that we will continue to sell a majority of our product to them.

Cost of Product Sales:

The following table summarizes the year over year changes in our cost of product sales *(in thousands)* :

	Years Ended December 31,				
	2016	**Change**	**2015**	**Change**	**2014**
Cost of Product Sales	$ 22,898	2%	$ 22,348	-3%	$ 23,002

Cost of product sales was $22.9 million for the year ended December 31, 2016, compared to $22.3 million for the year ended Dece mb er 31, 2015, an increase of $0.6 million. The i ncrease in cost of sales of $0.6 million, or 2 %, for the year ended December 31, 2016 , compared to 2015 , was primarily attributable to an increase in volume sales of ZADAXIN.

Cost of product sales was $22.3 million for the year ended December 31, 2015, compared to $23.0 million for the year ended December 31, 2014 , a decrease of $0.7 million. The decrease in cost of sales of $0.7 million, or 3%, for the year ended December 31, 2015 , compared to 2014 , was primarily attributable to a $2.9 million decrease in cost of product sales of Aggrastat as we had recorded a provision of $2.1 million for excess Aggrastat inventory during the year ended December 31, 2014 that didn't recur for the year ended December 31, 2015 . It was also attributable to our receipt in the fourth quarter of 2015 of $1.1 million for reimbursement for Aggrastat inventory returned that we had previously fully written off in 2014 , which was recorded as a red uction in cost of product sales. These decreases in cost of product sales were partially offset by increases in cost of product sales related to ZADAXIN and certain oncology product sales due to increased volume sold . C ost of product sales also increased related to initial DC Bead sales in the second half of 2015.

We expect our ZADAXIN cost of product sales and gross margins to fluctuate from period to period depending on the level of sales and price of our products, the absorption of product-related fixed costs, currency exchange fluctuations, any charges associated with excess or expiring finished product inventory, and the timing of other inventory period costs such as manufacturing process improvements for the goal of future cost reductions.

Overall, we expect our gross margin pe rcentages in 2017 to be lower than 201 6 , based on lower selling prices in certain province s , with indications of others to follow, as well as the unfavorable impact of currency exchange fluctuations.

Sales and Marketing ("S&M") :

The following table summarizes the year over year changes in our sales and marketing expenses *(in thousands):*

	Years Ended December 31,				
	2016	Change	2015	Change	2014
Sales and Marketing	$ 54,704	1%	$ 53,961	11%	$ 48,477

S&M expenses were $54.7 million , $54.0 million, and $48.5 million , for the years ended December 31, 201 6 , 201 5 and 201 4 , respectively . S&M expenses increased $0.7 million, or 1 %, for the year ended December 31, 2016, compared to 2015, related to growth in our S&M efforts for ZADAXIN in cluding our sales force efforts on increasing sales to China's largest hospitals as well as mid-sized hospitals, and related to post-marketing clinical trial expenses . S&M expenses increased by $ 5.5 million, or 1 1 %, for the year ended December 31, 2015, compared to 2014, related to growth in our S&M efforts for ZADAXIN and launch costs related to DC Bead.

We anticipate total S&M expenses for t he year ending December 31, 2017 to be higher than those incurred for the year ended December 31, 2016 related to growth in our S&M efforts for ZADAXI N and other products including higher post-marketing clinical trial expenses and higher expenses related to our e-commerce strategies to widen our market .

Research and Development ("R&D"):

The following table summarizes the year over year changes in our R&D expenses *(in thousands):*

	Years Ended December 31,				
	2016	Change	2015	Change	2014
Research and Development	$ 15,078	22%	$ 12,314	-16%	$ 14,581

R&D expenses were $15. 1 million, $12.3 million, and $14.6 million, for the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively. For the years ended December 31, 201 6 , 201 5 and 201 4 , we recorded $4.5 million, $ 7. 5 million, and $11.0 million, respectively, in R&D expenses related to upfront and milestone costs under our in-license arrangements . The remaining $5.8 million increase in R&D expense for the year ended December 31, 2016 , compared to 2015, related to increased clinical and preclinical activities with certain licensors. The remaining $1.2 million increase in R&D expense for the year ended December 31, 2015 compared to 2014, related to hiring additional R&D personnel and an increase in clinical and preclinical activities with certain licensors.

The major components of R&D expenses include salaries and other personnel-related expenses, including associated stock-based compensation, facility-related expenses, depreciation of facilities and equipment, license-related fees, services performed by clinical research organizations and research institutions and other outside service providers.

We anticipate our R&D expenses to increase in 201 7 compared to 201 6 related to potential license fee payments, milestone payments expected to occur under license arrangements, and related to research and development activities in China.

General and Administrative ("G&A") :

The following table summarizes the year over year changes in our G&A expenses (*in thousands*):

	Years Ended December 31,				
	2016	Change	2015	Change	2014
General and Administrative	$ 34,181	23%	$ 27,897	23%	$ 22,746

G&A expenses were $3 4 . 2 million, $ 2 7 . 9 million, and $22.7 million , for the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively. G&A expenses for the year ended De cember 31, 2016 increased by $ 6.3 million, or 23 %, compared to the year ended December 31, 2015 related to increased costs for the Company's strategic review to maximize stockholder value , higher transaction losses related to sales of ZADAXIN to Sinopharm being denominated in RMB since July 1, 2016, and higher stock–based compensation expense.

G&A expenses for the year ended December 31, 2015 increased by $ 5. 2 million, or 23 %, compared to the year ended December 31, 2014 mainly related to a China legal-entity restructuring plan , higher professional consulting fees for b usiness development strategy, higher stock-based compensation expense, and lower credits to bad debt expense for recovery of previously written off accounts receivable, offset by lower legal expenses related to our investigations with the SEC and DOJ and lower accounting fees.

We expect our G&A expenses in 2017 to increase compared to 2016 related to growth in our business .

SEC Settlement Expense:

We recorded a charge of $2.0 million in the fourth quarter of 2013 related to the possibility of a settlement with the SEC and DOJ regarding their investigation into possible violations of the FCPA by us, and we recorded additional charges totaling $10.8 million associated with the SEC settlement in 2015. In February 2016, we entered into a settlement agreement with the SEC fully resolving the SEC's investigation into possible violations of the FCPA. Under the terms of the settlement agreement, in February 2016 we paid $12.8 million, including disgorgement, pre-judgement interest and a penalty as final settlement. As part of the agreement, we neither admitted nor denied engagement in any wrongdoing a nd we agreed to give status reports to the SEC for the next three years on our continued remediation and implementation of anti-corruption compliance measures . The DOJ has also completed its related investigation and has declined to pursue any actions. Refer to Part II, Item 8, Note 1 5 " *Contingencies* " for further information on this matter.

Provision for Income Tax:

The provision for income tax relates to our foreign operations in China. The provision for income tax was $ 3.4 million, $0.8 million , and $1.2 million for the years ended December 31, 201 6 , 201 5 and 201 4 , respectively . Tax expense increased $ 2.6 million for the year ended December 31, 2016, compared to 2015. For the year ended December 31, 2016, our tax provision included $1.3 million of additional tax expense representing the correction of an error related to a previously unrecognized liability for uncertain tax positions in China (refer also to Note 1, " ***Error Correction*** " appearing in Part II, Item 8, within the footnotes to the consolidated financial statements contained elsewhere in this report). In addition, the tax provision for the year ended December 31, 2016 was higher relative to the prior year as a result of higher sales and marketing activities in our China business.

Tax expense decreased $0.4 million for the year ended December 31, 2015, compared to 2014 , mainly related to a reduction in our liabilities for uncertain tax positions (and associated accrued interest) in China due to certain tax years becoming closed to assessment due to the statute of limitations.

The statutory t ax rate in China was 25% in 201 6 , 201 5 and 201 4 . We expect th e provision for income tax to de crease for t he year ending December 31, 201 7 , compared to the year ended December 31, 201 6 , as a result of tax expense for uncertain tax positions recorded in 2016 that we do not expect to recur in 2017.

As of December 31, 201 6 , we had net operating loss carryforwards for U.S. federal income tax purposes of approximately $ 11 2 . 9 million that expire in the years 2020 through 2035 , and had approximately RMB 40.8 million in net operating loss carryforwards related to our NovaMed Shanghai subsidiary that expire in the years 2019 through 2021 . As of December 31, 2016 , we had U.S. federal research and development, orphan drug and investment tax credit carryforwards of approximately $12. 3 million that expire in the years 2018 through 203 6 .

Because of the "change in ownership" provisions of the Internal Revenue Code, a portion of our net operating loss carryforwards and tax credit carryforwards may be subject to an annual limitation regarding their utilization against taxable income in future periods. As a result of the annual limitation, a portion of these carryforwards may expire before ultimately becoming available to reduce future income tax liabilities.

Liquidity and Capital Resources

We continue to closely manage our liquidity and capital resources. We rely on our operating cash flows, and cash and cash equivalents to provide for our liquidity requirements. We believe that we have the ability to meet our liquidity needs for at least the next 12 months to fund our working capital requirements of our operations, includi ng investments in our business, and to fund our business development activities.

The following tables summarize our cash and cash equivalents and our cash flow activities as of the end of, and for each of, the years presented *(in thousands):*

	As of December 31,	
	2016	2015
Cash and cash equivalents	$ 134,395	$ 101,403

As of December 31, 201 6 , we had $ 134.4 million in cash and cash equivalents , of which $ 124.8 million was located in subsidiaries of the Company outside the U.S. Cash and cash equivalents held by subsidiaries outside the U . S . are held primarily in U.S. dollars. Such cash and cash equivalents are used to fund the operating activities of our foreign subsidiaries and for further investment in foreign operations, which may include in-licensing new products, particularly for China, and for potential acquisitions. In 2016 and 2015, we repatriated $10 million and $ 12.8 million , respectively, in funds via special dividend distribution s from our foreign subsidiary as a result of the need to fund our U.S. operations and to fund an escrow facility for our SEC settlement (as previously described) , respectively. The dividend distribution s were made from respective current year earnings in those years and pro fits of o ur foreign subsidiary, which were not part of the cumulative pool s of undistributed earnings of foreign subs idiaries as of December 31, 2016 or 2015 .

We have determi ned that as of December 31, 2016 , $ 21 1 million of accumulated undistributed earnings of foreign subsidiaries, after the payment of a 2016 dividend in the amount of $10 million and a 2015 dividend in the a mount of $12.8 million which w ere satisfied entirely out of the respective year s' current earnings and profits, continues to be indefinitely reinvested outside of the U . S. In making this determination, the following attributes were considered: (i) the expected future needs of the foreign subsidiaries, including working capital, capital expenditures, as well as additional investments to support the infrastructure in our China subsidiaries and (ii) additional investments to support our expansion in the China market as well as planned product licensing transactions . Upon distribution of our foreign undistributed earnings, we may be subject to U.S. federal and state income taxes. Based on our current operating plan, we do not anticipate the need to repatriate undistributed earnings acc umulated as of December 31, 2016 , but we do anticipate a need to repatriate a portion of future foreign earnings to fund our U.S. operations . Our current expectation is that any amounts repatriated to supplement our parent company's liquidity will be offset by tax-deductible expenses or available tax benefits such as accumulated net operating losses. We will accrue for U.S. income taxes on future foreign earnings that we anticipate repatriating from our foreign subsidiaries.

	Years Ended December 31,		
	2016	2015	2014
Cash provided by (used in):			
Operating activities	$ 34,527	$ 32,507	$ 27,609
Investing activities	$ (3,366)	$ (9,010)	$ (6,203)
Financing activities	$ 1,858	$ (8,419)	$ (20,806)

Net cash provided by operating activities wa s $34 . 5 million for the year ended December 31, 2016 and primarily reflected the net income for the period, adjusted for non-cash items such as stock-based compensation expense, depreciation and amortization expense, deferred income taxes, unrealized loss on measurement of monetary asset , and changes in operating assets and liab ilities. Accounts receivable and inventory levels both increased for the year ended December 31, 2016, related to higher sales volume and h igher finished goods inventory.

Net cash provided by operating activities was $ 32.5 million for the year ended December 31, 2015 and primarily reflected the net income for the period, adjusted for non-cash items such as stock-based compensation expense, provisions for doubtful accounts , depreciation and amortization expense, and changes in operating assets and liabilities. We reserved an amount of $0.5 million in the first quarter of 2015 as a bad debt charge recorded in general and administrative expense related to a customer whose receivable balance was past due which we subsequently wrote off when we determined it to be uncollectible during the fourth quarter of 2015 .

Accounts payable and ac crued liabilities increased $9. 7 million for the year ended December 31, 2015 as compared to the prior year's period, mainly related to the additional $ 10.8 million SEC settlement expense recorded to operating expense related to the settlement with the SEC. Restricted cash in escrow for the SEC settlement increased $12.8 million related to the $ 12.8 million SEC settlement amount deposited in escrow during the fourth quarter of 2015.

Net cash provided by operating activities was $27.6 million for the year ended December 31, 2014 and primarily reflected the net income for the period, adjusted for non-cash items such as stock-based compensation expense, provisions for expiring inventory, depreciation and amortization expense, and changes in operating assets and liabilities. As of December 31, 2014, we had accounts receivable totaling approximately $0.9 million from a single customer, which were substantially delinquent and which we were actively trying to collect, and for which we had recorded a reserve of $0.9 million. We entered into a settlement agreement with the customer in October 2014 to collect the remaining balance (refer to Note 1 to the consolidated financial statements appearing under Part II, Item 8). Accounts receivable increased $3.3 million mainly related to an increase in ZADAXIN sales. Inventory decreased $5.9 million mainly related to ZADAXIN inventory sales during the first half of 2014 exceeding our purchase levels, excluding approximately $2.9 million in Pfizer and Aggrastat inventory not yet paid for as of December 31, 2014. Accounts payable and accrued liabilities decreased $5.9 million mainly related to sales and marketing and manufacturing expense payments made during the year ended December 31, 2014.

Net cash used in investing activities was $3.4 million, $9.0 million , and $6.2 million, for t he years ended December 31, 201 6, 2015 , and 201 4 , respectively. As further discussed in Note 5 to the notes to the consolidated financial statements appearing in Part II, Item 8, on September 9, 2016, we and Soligenix entered into an exclusive license agreement (the "License Agreement"), pursuant to which Soligenix granted rights to the Company to develop, promote, market, distribute and sell SGX9412 in the People's Republic of China, Hong Kong, Macau, Taiwan, South Korea and Vietnam. In connection with the execution of the License Agreement, we entered into a common stock purchase agreement with Soligenix pursuant to which we bought 3,529,412 shares of Soligenix common stock for $ 2.7 million . In October 2016, Soligenix declared a 1 for 10 reverse stock split, converting our Soligenix ownership from 3,529,412 shares to 3 52,942 shares.

For the years ended December 31, 201 6 , 201 5 , and 201 4 , purchases of property and equipment were $0.6 million, $1.8 million , and $1.5 million, respectively. In addition, for the year s ended December 31, 2015 and , we received proceeds of $0.1 million from the sale or maturity of our short-term investments or available-for-sale securities . In addition, as part of our license and supply agreement with Zensun, we agreed to loan up to $12 million in total to Zensun under two separate loan agreements. Pursuant to these agreements, we loaned $7.25 million in the first half of 2015, and $4.75 million to Zensun during the second half of 2014 (such lendings are further described in Note 6 to the consolidated financial statements appearing under Part II, Item 8), which is reflected in the $ 9.0 million and $6.2 million of net cash used in investing activities for 2015 and 2014 , respectively . The proceeds of the loans are to be used for working capital and general corporate purposes by Zensun. To secure the loans, Zensun pledged its entire equity interest in its subsidiary, Shanghai Dongxin Biochemical Technology Co. Ltd. (whose assets include real property) to SciClone Pharmaceuticals International China Holding Ltd (" SPIL China ") .

Net cash provided by (used in) financing activities was $1.9 million, ($8.4) million , and ($20.8) million, for the years ended December 31, 201 6 , 2015 , and 2014 , respectively. For the years ended December 31, 2016, 2015, and 2014, we received $1.9 million, $4.4 million, and $5.2 million, of proceeds, respectively, from the issuances of common stock made under our stock award plans. During the years ended December 31, 2016 , 201 5 and 201 4 , we used $ 12.8 million and $24.4 million, respectively, to repurchase and retire approximately 1.5 million and 3.8 million shares of our common stock under our stock repurchase program.

In December 2013, our subsidiary, NovaMed Shanghai, entered into a 10.0 million RMB revolving line of credit facility (approximately $1.6 million USD) and a maximum 15.0 million RMB loan facility (approximately $2.4 million USD) secured by its accounts receivable with Shanghai Pudong Development Bank Co. Ltd. (the "Credit Facility"). In June 2014, NovaMed Shanghai repaid the 10.0 million RMB (approximately $1.6 million USD) under the Credit Facility. The Credit Facility expired on November 30, 2014 and all amounts borrowed were repaid by the expiration date.

The following summarizes our other future contractual obligations as of December 31, 20 1 6 (*in thousands*):

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Operating leases (1)	$ 3,640	$ 2,311	$ 1,329	$ —	$ —
Purchase obligations (2)	20,711	20,711	—	—	—
Uncertain tax positions (3)	3,900	—	—	—	—
Total	$ 28,251	$ 23,022	$ 1,329	$ —	$ —

(1) These are future minimum rental commitments for office space and copiers leased under non-cancelable operating lease arrangements.

(2) These consist of purchase obligations with manufacturers and distributors.

(3) As we are not able to reasonably estimate the timing of the payments or the amount by which our obligations for unrecognized tax benefits will increase or decrease over time, the related balances have not been reflected in the ”Payments Due by Period” section of the table.

Under our license agreements with third parties we have agreed to various milestone payments related to regulatory and commercial success and other achievements that may require substantial payments in the future.

We believe that our existing cash and cash equivalents and ongoing revenue generating business operations will be sufficient to support our current operating plan for at least the next 12 months from the issuance of the financial statements . We have no current commitments to offer and sell any securities that may be offered or sold pursuant to a registration statement. To the extent that we raise additional capital by issuing equity securities, our stockholders may experience dilution. Debt financing, if available, may subject us to restrictive covenants and significant interest costs. To the extent that we raise additional funds through collaboration and licensing arrangements, we would be required to relinquish some rights to our technologies, product candidates or marketing territories. Additional financing or collaboration and licensing arrangements may not be available when needed either at all or on favorable terms.

We intend to continue to explore alternatives for financing to provide additional flexibility in managing our operations, in-licensing new products, particularly for China, and potential acquisitions, as may be required. In addition, as previously disclosed, our Board is evaluating a range of strategic transactions with a view to enhancing stockholder value. The unavailability or the inopportune timing of any financing could prevent or delay our long-term product development and commercialization programs, either of which could hurt our business. We cannot assure you that funds from financings, if any, will be sufficient to in-license additional products. The need, timing and amount of any such financing would depend upon numerous factors, including the status of the pending regulatory investigations and pending litigations, the level and price of our products, the timing and amount of manufacturing costs related to our products, the availability of complementary products, technologies and businesses, the initiation and continuation of preclinical and clinical trials and testing, the timing of regulatory approvals, developments in relationships with existing or future collaborative parties, the status of competitive products, and various alternatives for financing. We have not determined the timing or structure of any transaction.

Off-Balance Sheet Arrangements

We do not have any off - balance sheet arrangements.

Critical Accounting Policies and Significant Judgments and Estimates

General

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations are discussed throughout “Management’s Discussion and Analysis of Financial Condition and Results of Operations” where such policies affect our reported and expected

financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 in the "Notes to our Consolidated Financial Statements" in Part II, Item 8 of this Annual Report on Form 10-K. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, we evaluate the relevance of our estimates and judgments. We base our estimates on historical experience and on various other market-specific assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

Revenue Recognition

We recogn ize revenue when persuasive evidence of an arrangement exists, services have been rendered or delivery has occurred, the price to the buyer is fixed or determinable and collectability is reasonably assured.

Product Revenue . We recognize product revenue from selling manufactured ZADAXIN product at the time of delivery. Sales of ZADAXIN to Sinopharm are recognized upon arrival of a shipment to its destination, which marks the point when title and risk of loss to product are transferred. We also earn product revenue from purchasing medical products from pharmaceutical companies and selling them directly to importers or distributors. We recognize revenue related to these products based on the "sell-in" method, when the medical products have been delivered to the importers or distributors. Payments by the importing agents and distributors are not contingent upon sale to the end user by the importing agents or distributors.

Effective January 1, 2016, our new contractual arr angement with our China importer and distributor for ZADAXIN, Sinopharm, is resulting in the later recognition (relative to practices prevailing under the old contractual arrangement through December 31, 2015) of a portion of our revenue due from Sinopharm related to situations where the provincial tender price is greater relative to a reference (baseline) tender price. The tender price is the ultimate retail end price approved by provincial authorities. There is a price mechanism in the new contractual arrangement whereby Sinopharm is invoiced at a lower base price relative to that prevailing in the previous agreement. The lower base price (reduced by estimate d price compensation payable to Sinopharm for situations where the provincial tender price is lower than the reference (baseline) tender price) is recorded as revenue at the time the sale is completed upon arrival at destination. To date, there are no situations where a provincial tender price is less than the reference (baseline) tender price. Sinopharm is invoiced for the portion of the price that results from situations where the provincial tender price is greater than the reference (baseline) tender price at a later time, and such amount is recognized as revenue after the amount has been agreed with them . It is expected that the price compensation due to us related to sales in a quarter under the price adjustment mechanism for provinces with tender prices above the reference (baseline) tender price wil l be recognized on a rolling one-to-two quarter delayed basis relative to the originating sales quarter.

Promotion Services Revenue. We recognize promotion services revenue after designated medical products are delivered to the distributors as specified in the promotion services contracts, which marks the period when marketing and promotion services have been rendered, and the revenue recognition criteria are met.

Revenue Reserve. We maintain a revenue reserve for product returns based on estimates of the amount of product to be returned by our customers which is based on historical patterns, analysis of market demand and/or a percentage of sales based on industry trends, and management's evaluation of specific factors that may increase the risk of product returns. Importing agents or distributors do not have contractual rights of return except under limited terms regarding product quality. However, we are expected to replace products that have expired or are deemed to be damaged or defective when delivered. The calculation of the product returns reserve requires estimates and involves a high degree of subjectivity and judgment. As a result of the uncertainties involved in estimating the product returns reserve, there is a possibility that materially different amounts could be reported under different conditions or using different assumptions. As of Dec ember 31, 201 6 and 201 5 , our revenue reserves were approximately $0.3 million and $ 0 .1 million , respectively ; the reserves were recorded as accrued liabilities i n our consolidated balances sheet.

We evaluate our returns reserve quarterly and adjust it when events indicate that a change in estimate is appropriate. Changes in estimates could materially affect our results of operations or financial position. It is possible that we may need to adjust our estimates in future periods.

Accounts Receivable Reserve

We record a receivable reserve based on a specific review of our overdue invoices. Our estimate for a reserve is determined after considering our existing contractual payment terms, payment patterns of our customers and individual customer circumstances, the age of any outstanding receivables and our current customer relationships. Accounts receivable are charged off at the point when they are considered uncollectible.

As of December 31, 2016, we determined that no receivable reserve was needed. As of December 31, 2015 , we had a receivable reserve of $0. 6 million. In October 2014, our subsidiary, SPIL China, executed an agreement with a particular customer providing for settlement of a $3.0 million receivable balance. The terms of the settlement agreement resulted in the write-off of $1.1 million in previously fully reserved accounts receivable with an equivalent charge-off of the allowance for bad debt, which had no impact on net income in 2014, as the subsequent agreement provided direct evidence that the $1.1 million previously reserved will not be collected in the future. Of the remaining $1.9 million receivable balance, $0.5 million, $0.4 million and $1.0 million were collected in 2016, 2015 and 2014, respectively, per the terms of the settlement agreement, and these gains on recovery were recorded as reductions to general and administrative expense for the years ended December 31, 2016, 2015 a n d 2014, respectively. We recognized $0.5 million of bad debt expense in general and administrative expense during the first quarter of 2015 related to past due receivables from another customer, due to uncertainty regarding the collectability of the customer's outstanding receivable balance. We wrote-off the $0.5 million of past due accounts receivable from this customer during the fourth quarter of 2015 as uncollectible.

Inventories

Our inventories are valued at the lower of cost or market (net realizable value), with cost determined on a first-in, first-out basis and include amounts related to materials, labor and overhead. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements and compare that with the current inventory levels. If our current assumptions about future production or inventory levels and demand were to change or if actual market conditions are less favorable than those projected by management, inventory write-downs may be required, which could negatively impact our gross margins and results of operations. If obsolete or excess items are observed and there are no alternate uses for the inventory, we will record a write-down to net realizable value in the period that the impairment is first recognized. During t he years ended December 31, 2016, 2015 and 2014 , we recorded inventory write-downs of $34,000 , $0, and $2.1 million, respectively, principally related to carrying value reductions for excess Aggrastat product in the year 2014 . As we have discontinued this product, remaining Aggrastat invent ory is zero as of December 31, 2016 .

Goodwill

We account for goodwill in accordance with ASC Topic 805, and ASC Topic 350, *Intangibles — Goodwill and Other* . ASC Topic 805 requires that the acquisition method of accounting be used for all business combinations and specifies the criteria that must be met in order for intangible assets acquired in a business combination to be recognized and reported apart from goodwill. Goodwill is tested for impairment at least annually or whenever events or circumstances occur that indicate impairment might have occurred or circumstances suggest that the carrying value of these assets may not be recoverable and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets in accordance with ASC Topic 350. Judgment regarding the existence of impairment indicators will be based on operating results, changes in the manner of our use of the acquired assets or our overall business strategy, and market and economic trends.

Goodwill relates to our China segment which focuses on our primary pharmaceutical distribution market, consisting of the NovaMed Pharmaceuticals, Inc. ("NovaMed") business and the legacy China business of the Company, which represent a single reporting unit. For t he years ended December 31, 2016, 2015 and 201 4 , we tested for goodwill impairment by quantitatively comparing the fair value of the reporting unit to its carrying amounts - step one of the two-step impairment test. We estimated the fair value of the China reporting unit using a discounted cash flow model. This valuation approach considers a number of factors that include, but are not limited to, expected future cash flows, growth rates, discount rates, and requires us to make certain assumptions and estimates regarding industry economic factors and future profitability of our business. Although we believe our assumptions are reasonable, actual results may vary significantly and may expose us to impairment charges in the future. Our methodology for determining fair value remained consistent for the periods presented. If we determine that the carrying value of our reporting unit exceeds its fair value, we would then calculate the implied fair value of the reporting unit goodwill as compared to its carrying value to determine the appropriate impairment charge. After completing our annual impairment review for the reporting unit as of December 31, 2016 , 201 5 and 201 4 , we concluded that g oodwill was not impaired in 2016 , 201 5 , or 201 4 .

Investments

We record unrealized gains or losses on available-for-sale equity investments in other comprehensive income (loss). Realized gains and losses and declines in value judged to be other-than temporary on available-for-sale equity investments are included in earnings. Available-for-sale equity investments are evaluated for impairment each reporting period. An investment is considered impaired if the fair value of the investment is less than its cost. If after consideration of all available evidence to evaluate the realizable value of our investment, impairment is determined to be other-than-temporary, then an impairment loss is recognized in the consol idated statement of operations. We determine an impairment to be other-than temporary if there is an inability to recover the carrying value of the investment.

Loans Receivable

Loans receivable consist of two loans to one third party (see Note 6 to our consolidated financial statements appearing under Part II, Item 8). Loans are initially recorded, and continue to be carried, at unpaid principal balances under "other assets" on the consolidated balance sheet as of December 31, 2016 and 2015 . Carried balances are subsequently adjusted for payments of principal or adjustments to the allowance for loan losses to account for any impairment. Interest income is recognized over the term of the loans and is calculated using the simple-interest method, as the loans do not have associated premium or discount. If the loans were to experience impairment, interest income would not be recognized unless the likelihood of further loss was remote.

Management considers impairment to exist when, based on current information or factors (such as payment history, value of collateral, and assessment of the counterparty's current creditworthiness), it is probable that principal and interest payments will not be collected according to the contractual agreements. Management considers a loan payment delinquent when not received by the due date.

Management assessed the credit worthiness of the counterparty by reviewing available borrower financial information and substantiation of the value of the pledged security interest in the course of preparing our consolidated financial statements. Management also considered in its analysis that the borrower was compliant with the terms of the loans, that interest payments have been time ly made , and that available reliable evidence indicated that the market value of the pledged security was greater than the loan receivable balance . As of December 31, 2016 and 2015 , management concluded the loans receivable were not impaired, and there was no allowance for loan losses.

Contingent Liabilities

We record as liabilities estimated amounts for litigation, claims or other legal actions that are probable and can be reasonably estimated. The likelihood of a material change in these estimated reserves is dependent on the possible outcome of settlement negotiations, regulatory or judicial review and the development of facts and circumstances in extended litigation, which could change claims or assessments when both the amount and range of loss on some outstanding litigation is uncertain. We disclose in the footnotes of the financial statements when we are unable to make a reasonable estimate of a material liability that could result from unfavorable outcomes. As events occur, we will assess the potential liability related to any pending litigation, claims or other legal actions and adjust our estimates accordingly.

Stock-Based Compensation

We record stock-based compensation costs relating to share-based payment transactions, including stock options, restricted stock units ("RSUs") , performance restricted stock units ("PSUs") and employee stock purchase plans ("ESPP") . Stock-based compensation expense for stock options and the employee stock purchase plan is estimated at the date of grant based on the fair value of the award using the Black-Scholes option-pricing model. Stock-based compensation expense for RSUs and PSUs is estimated at the date of grant based on the number of shares granted and the quoted price of the Company's common stock on the grant date. Stock-based compensation expense values for stock options, RSUs and the ESPP plan are recognized as expense on a straight-line basis over the requisite service period, net of estimated forfeitures. We recognize expense related to the performance stock options and PSUs over the implicit service period if it is probable that the performance goals will be achieved. If it is subsequently determined that the performance goals are not probable of achievement, the expense related to the performance stock options or PSUs is reversed. The share-based payment awards that are ultimately expected to vest are recognized as expense ratably (as the awards vest) over the requisite service period, which is generally one or four years for stock options and RSUs and three months for ESPP . We estimate pre-

vesting forfeitures at the time of grant by analy zing historical data and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The total expense recognized over the vesting period will only be for those awards that ultimately vest.

The option-pricing models require the use of certain subjective assumptions, including the expected volatility of the market price of the underlying stock and the expected term of the award. Expected volatility is based on the historical volatility of our stock. Expected term is derived from historical data on employee exercises and terminations. We review our valuation assumptions at each grant date, and, as a result, valuation assumptions used to value stock-based compensation of awards granted in future periods may change.

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. We provide a valuation allowance against deferred tax assets if, based upon the available evidence, it is more-likely-than-not that the deferred tax assets will not be realized. Realization of our deferred tax assets is dependent upon the generation of future taxable income, the timing and amount of which are uncertain. The tax years 1995-2016 remain open to examination by the major U.S. taxing jurisdictions to which we are subject. The Internal Revenue Service completed their examinations of our 2008, 2009 and 2011 U.S. Federal tax returns with no additional tax assessments or proposed adjustments relating to taxable income for any years. Our China income tax returns are generally subject to examination for a period of five years and those years remain open to examination.

We record liabilities related to uncertain tax positions in accordance with the guidance that clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We do not believe any such uncertain tax positions currently pending will have a material adverse effect on our consolidated financial statements, although an adverse resolution of one or more of these uncertain tax positions in any period could have a material impact on the results of operations for that period.

New Accounting Standards Updates

Please refer to Note 1 to our consolidated financial statements appearing under Part II, Item 8 for a discussion of new accounting standards updates that may impact the Company.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Foreign Currency Exchange Rate Risk

We do not hold any derivative financial instruments for speculation or trading purposes. The majority of our sales since July 1, 2016 are denominated in RMB. Our purchases with contract manufacturers are denominated in U.S. dollars and euros and costs of our marketing efforts in China are paid in local currency. In the recent year and months the RMB has experienced devaluation . Such devaluation negatively affects the U.S. dollar value of revenues while it positively affects the U.S. dollar value of China operating expenses . RMB is not freely convertible into foreign currencies. In China, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at the exchange rates quoted by the Peoples Bank of China. Remittances in currencies other than RMB by the Company in China require certain supporting documentation in order to process the remittance.

In addition, we have certain cash balances and other long-term assets and liabilities denominated in euros, RMB and Hong Kong dollars. As a result, we are exposed to foreign currency rate fluctuations, and we do not hedge against the risk associated with such fluctuations. Consequently, changes in exchange rates could result in material exchange losses and could unpredictably, materially and adversely affect our operating results and stock price. A hypothetical 1% increase or decrease in foreign exchange rates would result in an approximate $ 0.1 million increase or decrease in our financial assets and liabilities denominated in euros, RMB and Hong Kong dollars, as of December 31, 201 6 and 201 5 . These potential changes are based on sensitivity analyses performed on our financial position as of December 31, 201 6 and 201 5 . Actual results may differ materially.

Interest Rate Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in money market funds, term deposits, commercial paper, corporate bonds, U.S. treasury, or government agency notes; our investments are most frequently classified as cash equivalents. We are also invested in a loan to a business partner; however, the purpose for such loan is to facilitate the business relationship and it is not principally for investment purposes. Our investment securities may be subject to interest rate risk and could decrease in value if market interest rates rise. To minimize this risk, we primarily hold securities that are short-term in duration and maintain an average maturity of less than one year. We believe that our exposure to interest rate risk is not significant and a 1% movement in market interest rates would not have a significant impact to the total value of our investment po rtfolio as of December 31, 2016 or 2015 .

Item 8. ***Financial Statements and Supplementary Data***

SCICLONE PHARMACEUTICALS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Fir m

To the Board of Directors and Shareholders of SciClone Pharmaceuticals, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of SciClone Pharmaceuticals, Inc. and its subsidiaries at December 31, 2016 and December 31, 2015 , and the results of their o perations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) , present s fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of Decem ber 31, 2016 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting , included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9(a). Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion s .

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
March 9 , 2017

SCICLONE PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 134,395	$ 101,403
Restricted cash in escrow for SEC settlement (Note 15)	—	12,826
Accounts receivable, net of allowances of $0 and $594 as of December 31, 2016 and 2015, respectively	41,510	39,363
Inventories	16,587	10,976
Prepaid expenses and other current assets	3,241	3,654
Deferred tax assets	—	299
Total current assets	195,733	168,521
Property and equipment, net	2,002	2,651
Investment in third party (Note 5)	794	—
Goodwill	30,838	32,979
Other assets	12,531	12,468
Total assets	$ 241,898	$ 216,619
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,645	$ 4,495
Accrued and other current liabilities	22,796	32,151
Deferred revenue	—	174
Total current liabilities	26,441	36,820
Other long-term liabilities	92	87
Commitments and contingencies (Notes 9 and 15)		
Stockholders' equity:		
Preferred stock; $0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock; $0.001 par value; 100,000,000 shares authorized; 51,236,952 and 49,533,835 shares issued and outstanding as of December 31, 2016 and 2015 , respectively	51	50
Additional paid-in capital	304,599	296,086
Accumulated other comprehensive income (loss)	(1,520)	2,070
Accumulated deficit	(87,765)	(118,494)
Total stockholders' equity	215,365	179,712
Total liabilities and stockholders' equity	$ 241,898	$ 216,619

See notes to consolidated financial statements.

SCICLONE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Year Ended December 31,		
	2016	**2015**	**2014**
Net revenues:			
Product sales, net	$ 155,937	$ 154,329	$ 131,973
Promotion services	4,159	2,928	2,817
Total net revenues	160,096	157,257	134,790
Operating expenses:			
Cost of product sales	22,898	22,348	23,002
Sales and marketing	54,704	53,961	48,477
Research and development	15,078	12,314	14,581
General and administrative	34,181	27,897	22,746
SEC settlement expense (Note 15)	—	10,826	—
Total operating expenses	126,861	127,346	108,806
Income from operations	33,235	29,911	25,984
Non-operating income (expense):			
Interest and investment income	1,062	869	161
Interest and investment expense	—	—	(48)
Other income (expense), net	(164)	(510)	280
Income before provision for income tax	34,133	30,270	26,377
Provision for income tax	3,404	807	1,169
Net income	$ 30,729	$ 29,463	$ 25,208
Basic net income per share	$ 0.61	$ 0.59	$ 0.49
Diluted net income per share	$ 0.58	$ 0.56	$ 0.48
Weighted-average shares used in computing:			
Basic net income per share	50,235	49,797	51,277
Diluted net income per share	52,566	52,173	52,684

See notes to consolidated financial statements.

SCICLONE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income	$ 30,729	$ 29,463	$ 25,208
Other comprehensive loss, net of income tax:			
Foreign currency translation	(1,666)	(1,194)	(912)
Unrealized loss on available-for-sale investment in common stock of third party	(1,924)	—	—
Total other comprehensive loss	(3,590)	(1,194)	(912)
Total comprehensive income	$ 27,139	$ 28,269	$ 24,296

See notes to consolidated financial statements.

SCICLONE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of January 1, 2014	52,372	$ 52	$ 278,327	$ 4,176	$ (135,960)	$ 146,595
Net income	—	—	—	—	25,208	25,208
Other comprehensive loss related to foreign currency translation	—	—	—	(912)	—	(912)
Issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan, net	1,399	2	5,212	—	—	5,214
Compensation related to stock-based awards	—	—	3,569	—	—	3,569
Repurchase of common stock	(3,822)	(4)	—	—	(24,396)	(24,400)
Balance as of December 31, 2014	49,949	50	287,108	3,264	(135,148)	155,274
Net income	—	—	—	—	29,463	29,463
Other comprehensive loss related to foreign currency translation	—	—	—	(1,194)	—	(1,194)
Issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan, net	1,111	2	4,390	—	—	4,392
Compensation related to stock-based awards	—	—	4,588	—	—	4,588
Repurchase of common stock	(1,526)	(2)	—	—	(12,809)	(12,811)
Balance as of December 31, 2015	49,534	50	296,086	2,070	(118,494)	179,712
Net income	—	—	—	—	30,729	30,729
Other comprehensive loss related to foreign currency translation	—	—	—	(1,666)	—	(1,666)
Other comprehensive loss related to unrealized loss on available-for-sale investment in common stock of third party	—	—	—	(1,924)	—	(1,924)
Issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan, net	1,703	1	1,857	—	—	1,858
Compensation related to stock-based awards	—	—	6,656	—	—	6,656
Balance as of December 31, 2016	51,237	$ 51	$ 304,599	$ (1,520)	$ (87,765)	$ 215,365

See notes to consolidated financial statements.

SCICLONE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2016	**2015**	**2014**
Operating activities:			
Net income	$ 30,729	$ 29,463	$ 25,208
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash expense related to stock-based compensation	6,433	4,441	3,465
Provision for doubtful accounts	—	541	—
Provision for expiring inventory	34	—	2,099
Depreciation and amortization	985	931	852
Loss on disposal of fixed assets	1	3	26
Deferred income taxes	292	12	(321)
Unrealized foreign exchange loss	190	—	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(2,405)	306	(3,276)
Inventories	(3,001)	1,432	5,382
Prepaid expenses and other assets	273	(1,020)	(277)
Restricted cash in escrow for SEC settlement (Note 15)	—	(12,826)	—
Accounts payable	(3,123)	(2,295)	(5,485)
Accrued and other current liabilities	4,286	11,997	(414)
Deferred revenue	(173)	(422)	340
Other long-term liabilities	6	(56)	10
Net cash provided by operating activities	34,527	32,507	27,609
Investing activities:			
Investment in available-for-sale security of third party (Note 5)	(2,718)	—	—
Loans to third party (Note 6)	—	(7,250)	(4,751)
Proceeds from the sale of short-term investments	—	75	—
Purchases of property and equipment	(648)	(1,835)	(1,452)
Net cash used in investing activities	(3,366)	(9,010)	(6,203)
Financing activities:			
Repurchase of common stock including commissions	—	(12,811)	(24,400)
Repayment of credit facilities	—	—	(1,620)
Proceeds related to issuances of common stock, net	1,858	4,392	5,214
Net cash provided by (used in) financing activities	1,858	(8,419)	(20,806)
Effect of exchange rate changes on cash and cash equivalents	(27)	97	(175)
Net increase in cash and cash equivalents	32,992	15,175	425
Cash and cash equivalents, beginning of period	101,403	86,228	85,803
Cash and cash equivalents, end of period	$ 134,395	$ 101,403	$ 86,228
Supplemental disclosure of cash flow information:			
Net income taxes paid related to foreign operations	$ 1,794	$ 1,509	$ 944
Interest and unused line fees paid related to borrowings	$ —	$ —	$ 48
Release of restricted cash in escrow for SEC settlement	$ 12,826	$ —	$ —

See notes to consolidated financial statements.

Note 1 — The Company and Summary of Significant Accounting Policies

Description of Business

SciClone Pharmaceuticals, Inc. ("SciClone" or the "Company"), incorporated in 1990, is a United States ("U.S.")-headquartered, China-focused, specialty pharmaceutical company with a substantial commercial business and a product portfolio of therapies for oncology, infectious diseases and cardiovascular disorders. The Company's lead product, ZADAXIN ® (thymalfasin) is approved in over 30 countries and may be used for the treatment of hepatitis B (HBV), hepatitis C (HCV), and certain cancers according to the local regulatory approvals, and for use as an immune system enhancer. In addition to ZADAXIN, SciClone markets approximately 7 partnered and in-licensed products in China. SciClone is also pursuing the registration of several other therapeutic products in China.

Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make informed estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

Cash Equivalents and Investments

Cash equivalents consist of highly liquid investments with original maturities of three months or less on the date of purchase. The Company records its investments at fair value, as determined by available information on the consolidated balance sheet date. The Company's cash investment portfolio as of December 31, 2016 consisted of money market funds that were included in cash and cash equivalents.

As of December 31, 2016, the Company's investment portfolio also included an available-for-sale investment in the common stock of a third party (No te 5) categorized within Level 2 of the fair value hierarchy.

The Company records unrealized gains or losses on available-for-sale equity investments in other comprehensive income (loss). Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale equity investments are included in earnings.

Available-for-sale investments are evaluated for impairment each reporting period. An investment is considered impaired if the fair value of the investment is less than its cost. If, after consideration of all available evidence to evaluate the realizable value of its investment, impairment is determined to be other-than-temporary, then an impairment loss is recognized in the consolidated statement of operations. No such losses were recorded in the periods presented.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. The three levels of input are:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Where quoted prices are available in an active market, the Company determines fair value based on quoted market prices, and classifies these values in level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are based on observable inputs such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities and are classified in level 2 of the valuation hierarchy. When quoted prices and observable inputs are unavailable, fair values are based on cash flow models and are classified in level 3 of the valuation hierarchy. The cash flow models use inputs specific to the asset or liabilities including estimates for interest rates and discount rates including yields of comparable traded instruments adjusted for illiquidity and other risk factors, amount of cash flows and expected holding periods of the assets and liabilities. These inputs reflect the Company's assumptions about the assumptions market participants would use in pricing the assets and liabilities including assumptions about risk developed based on the best information available in the circumstances. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment, and may materially affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Company's policy is to recognize transfers between levels as of the date of the event or change in circumstance that caused the transfer.

Other financial instruments, including accrued short-term liabilities, are carried at cost, which the Company believes approximates fair value because of the short-term maturity of these instruments.

Concentration of Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents, accounts receivable, and loans receivable. The Company is exposed to credit risk in the event of default by the institutions holding the cash and cash equivalents, and by customers and partners in the event of default by the customer or partner to pay the amounts due to the Company on receivables and loans receivables, respectively, to the extent of the amounts recorded on the consolidated balance sheet. Most of the Company's cash and cash equivalents are held by financial institutions that the Company believes are of high credit quality. At times, deposits may exceed government insured limits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

The Company is exposed to risk of its investment in the common stock of a third party losing market value.

In China, pharmaceutical products are imported and distributed through a tiered method of distribution. For the Company's proprietary product ZADAXIN, the Company manufactures its product using its U.S. and European contract manufacturers, and it generates its product sales revenue through sales of ZADAXIN products to Sinopharm Holding Lingyun Biopharmaceutical (Shanghai) Co. Limited ("Sinopharm"). Sinopharm acts as an importer, and also as the top "tier" of the distribution system ("Tier 1") in China. The Company's ZADAXIN sales occur when the importer purchases product from the Company, without any right of return except for replacement of product in the events of damaged product or quality control issues. As the Company bears risk of loss until delivery has occurred, revenue is not recognized until the shipment reaches its destination. After the Company's sale of ZADAXIN to the importer, Sinopharm clears products through China import customs, sells directly to large hospitals and holds additional product it has purchased in inventory for sale to the next tier in the distribution system. The second-tier ("Tier 2") distributors are responsible for the further sale and distribution of the products they purchase from the importer, either through sales of product directly to the retail level (hospitals and pharmacies), or to third-tier ("Tier 3") local or regional distributors who, in turn, sell products to hospitals and pharmacies. The Company's other product sales revenues result from the sale of the Company's in-licensed products to importing agents and distributors.

Promotion services revenues result from fees received for exclusively promoting products for certain pharmaceutical partners. These importing agents, distributors and partners are the Company's customers.

Sinopharm contributed 93% , 97% and 94% of the Company's total net revenue for the years ended December 31, 2016, 2015 and 2014, respectively, which revenues related to the Company's China segment. There were no other customers that exceeded 10% of the Company's total net revenue in those years.

Total ZADAXIN product sales were $150.1 million or 96 % , $146.1 million or 95% , and $126.1 million or 96% , of total product sales for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, approximately $ 39.5 million, or 95 %, of the Company's gross accounts receivable was attributable to one customer, Sinopharm, in China. The Company generally does not require collateral from its customers. The Company maintains reserves for potential credit losses and such actual losses may vary significantly from its estimates.

The Company currently relies on two suppliers to provide key components to its ZADAXIN manufacturing supply. Although there are a limited number of manufacturers who would be able to meet the requirements to manufacture these components, the Company believes that other suppliers could provide similar components on comparable terms. A change in suppliers, however, could cause a delay in manufacturing and a possible loss of sales, which would affect operating results adversely.

Per the Company's previous contractual arrangement with Sinopharm through December 31, 2015, and a renewed contractual arrangement with Sinopharm (the Company's sole distributor for ZADAXIN in China) which took effect January 1, 2016, the Company's sales of ZADAXIN to Sinopharm were denominated in U.S. dollars through June 30, 2016. However, the established importer price was adjusted quarterly based upon exchange rate fluctuations between the U.S. dollar and Chinese Yuan Renminbi ("RMB") . Effective July 1, 2016, the Company's sales of ZADAXIN to Sinopharm are and will be denominated in RMB. A significant portion of the Company's other revenues and expenses are also denominated in RMB and a significant portion of the Company's assets and liabilities are denominated in RMB and all are exposed to foreign exchange risk. In the recent year and months, the RMB has experienced devaluation. Such devaluation negatively affects the U.S. dollar value of revenues while it positively affects the U.S. dollar value of China operating expenses. RMB is not freely convertible into foreign currencies. In China, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at the exchange rates quoted by the People's Bank of China. Remittances in currencies other than RMB by the Company in China require certain supporting documentation in order to process the remittance.

Accounts Receivable Reserve

The Company records a receivable reserve based on a specific review of its overdue invoices. The Company's estimate for a reserve is determined after considering its existing contractual payment terms, payment patterns of its customers and individual customer circumstances, the age of any outstanding receivables and its current customer relationships. Accounts receivable are charged off at the point when they are considered uncollectible.

As of December 31, 2016, the Company determined no bad debt reserve was necessary. As of December 31, 2015, the Company had a receivable reserve of $0.5 million related to accounts receivable from one customer that was more than one year past due. During 2014, the Company's subsidiary, SciClone Pharmaceuticals International China Holding Ltd ("SPIL China") executed an agreement with this customer providing for settlement of the receivable balance, which at the time was $3.0 million. The terms of the settlement agreement resulted in the write-off of $1.1 million in previously fully reserved accounts receivable with an equivalent charge-off of the allowance for bad debt, which had no impact on net income in 2014. Of the remaining $1.9 million receivable balance, $0.5 million, $0.4 million and $1.0 million were collected in 2016, 2015 and 2014, respectively, per the terms of the settlement agreement, and these gains on recovery were recorded as reductions to general and administrative expense for those years. The Company recognized $0.5 million of bad debt expense in general and administrative expense during the first quarter of 2015 related to past due receivables from another customer due to uncertainty regarding the collectability of the customer's outstanding receivable balance. The Company wrote-off the $0.5 million of past due accounts receivable from this customer during the fourth quarter of 2015 as uncollectible.

Inventories

Inventories consist of raw materials, work in progress and finished goods products. Inventories are valued at the lower of cost or market (net realizable value), with cost determined on a first-in, first-out basis, and include amounts related to materials, labor and overhead. The Company periodically reviews the inventory in order to identify excess and obsolete items. If obsolete or excess items are observed and there are no alternate uses for the inventory, the Company will record a write-down to net realizable value in the period that the impairment is first indicated. During the years ended December 31, 2016, 2015, and 2014, the Company recorded

inventory write-downs of $34,000 , $0 , and $2.1 million, respectively, principally related to carrying value reductions for excess Aggrastat ® product in the 2014 period. As of December 31, 2016, there was zero remaining Aggrastat product in inventory following a discontinuation of the product. (Refer to Note 14 for further information regarding the discontinuation of Aggrastat.)

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is recorded over the estimated useful lives of the respective assets on the straight-line basis. Office furniture and fixtures are generally amortized over five years, office equipment and computer software are generally amortized over three years, and the Company's vehicle is being amortized over four years. Leasehold improvements are amortized over the shorter of the estimated useful life or lease term on the straight-line basis. The Company's policy is to identify and record impairment losses, if necessary, on property and equipment when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

Goodwill

The Company accounted for the acquisition of NovaMed Pharmaceuticals, Inc. ("NovaMed") in 2011 under the acquisition method of accounting in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* . Under the acquisition method of accounting, the total acquisition-date fair value of the assets and liabilities are recognized as of the closing date. The excess of the fair value of the total consideration transferred over the acquisition-date fair value of net tangible and intangible assets and liabilities assumed was allocated to goodwill. Goodwill is tested for impairment at least annually, or whenever events or circumstances occur that indicate impairment might have occurred in accordance with ASC Topic 350, *Intangibles — Goodwill and Other* . Goodwill relates to the Company's China segment which focuses on the Company's primary pharmaceutical distribution market , consisting of the NovaMed business and the legacy China business, which represent a single reporting unit. As of December 31, 2016, 2015 and 2014, the Company tested its goodwill for impairment by quantitatively comparing the fair value of the reporting unit to its carrying amount - step one of the two-step impairment test. The Company bypassed the optional qualitative screening test in proceeding directly to step one of the two-step impairment test. The Company estimates the fair value of the China reporting unit using a discounted cash flow model. This valuation approach considers a number of factors that include, but are not limited to, expected future cash flows, growth rates, discount rates, and requires the Company to make certain assumptions and estimates regarding industry economic factors and future profitability of the Company's business. If the Company determines that the carrying value of its reporting unit exceeds its fair value, the Company would then calculate the implied fair value of the reporting unit goodwill as compared to its carrying value to determine the appropriate impairment charge. After completing the Company's impairment review for the reporting unit as of December 31, 2016, 2015, and 2014, the Company concluded that goodwill was not impaired in any of these years.

Loans Receivable

Loans receivable are due from a single third party (see Note 6). Loans are initially recorded, and continue to be carried, at unpaid principal balances under "other assets" on the consolidated balance sheet. Carried balances are subsequently adjusted for payments of principal or adjustments to the allowance for loan losses to account for any impairment. Interest income is recognized over the term of the loans and is calculated using the simple-interest method, as the loans do not have associated premium or discount. If the loans were to experience impairment, interest income would not be recognized unless the likelihood of further loss was remote.

Although the measurement basis is unpaid principal (as adjusted for subsequent payments or impairment), not fair value, the loans receivable would qualify as Level 3 measurements under the fair value hierarchy (Note 2) due to the presence of significant unobservable inputs related to the counterparty, which is a private entity.

Management considers impairment to exist when, based on current information or factors (such as payment history, value of collateral, and assessment of the counterparty's current creditworthiness), it is probable that principal and interest payments will not be collected according to the contractual agreements. Management considers a loan payment delinquent when not received by the due date. As of December 31, 2016 and 2015, management concluded the loans receivable were not impaired, and there was no allowance for loan losses.

Accrued Expenses

The Company makes estimates of its accrued expenses as of each balance sheet date in its consolidated financial statements based on facts and circumstances known to them. Examples of estimated accrued expenses include fees paid to contract research organizations and investigative sites in connection with clinical trials, fees paid to contract manufacturers in connection with the production of materials, and professional services. The Company periodically confirms the accuracy of its estimates with selected service providers and makes adjustments, if necessary, in the periods identified.

Expenses related to clinical trials charged to research and development expense generally are accrued based on estimates of work performed or the level of patient enrollment and activities according to the protocols and agreements. The Company makes adjustments, if necessary, in the periods identified to reflect actual levels of work performed, and such adjustments have historically not been material. T he financial terms of these agreements are subject to negotiation and vary from contract to contract and may result in uneven payment flows. Payments under certain contracts depend on factors such as the achievement of certain events, the successful enrollment of patients, and the completion of portions of the clinical trial or similar conditions. The objective of the Company's accrual policy is to match the recording of expenses to the actual services received and efforts expended. The Company monitors planned protocols, work performed, patient enrollment levels and related activities to the extent possible and adjusts estimates accordingly.

The Company records as liabilities estimated amounts for litigation, claims or other legal actions that are probable and can be reasonably estimated. The likelihood of a material change in these estimated reserves is dependent on the possible outcome of settlement negotiations, regulatory or judicial review and the development of facts and circumstances in extended litigation which could change claims or assessments when both the amount and range of loss on some outstanding litigation is uncertain. The Company discloses in the footnotes to the financial statements when it is unable to make a reasonable estimate of a material liability that is reasonably possible to result from unfavorable outcomes. As events occur, the Company assesses the potential liability related to any pending litigation, claims or other legal actions and adjusts its estimates accordingly. Such adjustments could materially impact its financial statements.

Foreign Currency Translation

The Company translates the assets and liabilities of its foreign subsidiaries stated in local functional currencies to U.S. dollars at the rates of exchange in effect at the end of the period. Revenues and expenses are translated using average rates of exchange in effect during the period. Goodwill, and certain other balances, are generally recorded in the local currency which is the functional currency of the Company's subsidiaries located in China. As a result, the carrying value of goodwill and certain other balances may fluctuate with the value of the RMB as compared to the U.S. dollar. Gains and losses from the translation of financial statements denominated in foreign currencies are included as a separate component of accumulated other comprehensive income (loss) in the statement of stockholders' equity.

The Company records foreign currency transactions at the exchange rate prevailing at the date of the transaction with resultant gains and losses being included in results of operations. Foreign currency transaction losses were $2.2 million and $0.4 million for the year ended December 31, 2016 and 2015, respectively. For the year ended December 31, 2014 foreign currency transaction gains and losses were not significant.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered or delivery has occurred, the price to the buyer is fixed or determinable and collectability is reasonably assured.

Product Revenue. The Company recognizes product revenue from selling manufactured ZADAXIN product at the time of delivery. Sales of ZADAXIN to Sinopharm are recognized upon arrival of a shipment to its destination, which marks the point when title and risk of loss to product are transferred. The Company also earns product revenue from purchasing medical products from pharmaceutical companies and selling them directly to importers or distributors. The Company recognizes revenue related to these products based on the "sell-in" method, when the medical products have been delivered to the importers or distributors. Payments by the importing agents and distributors are not contingent upon sale to the end user by the importing agents or distributors.

Effective January 1, 2016, the Company's new contractual arrangement with its China importer and distributor for ZADAXIN, Sinopharm, is resulting in the later recognition (relative to practices prevailing under the old contractual arrangement through December 31, 2015) of a portion of the Company's revenue due from Sinopharm related to situations where the provincial tender price is greater relative to a reference (baseline) tender price. The tender price is the ultimate retail end price approved by provincial authorities. There is a price mechanism in the new contractual arrangement whereby Sinopharm is invoiced at a lower base price relative to that prevailing in the previous agreement. The lower base price (reduced by estimated price compensation payable to Sinopharm for situations where the provincial tender price is lower than the reference (baseline) tender price) is recorded as revenue at the time the sale is completed upon arrival at destination. To date, there are no situations where a provincial tender price is less than the reference (baseline) tender price. Sinopharm is invoiced for the portion of the price that results from situations where the provincial tender price is greater than the reference (baseline) tender price at a later time, and such amount is recognized as revenue after the amount has been agreed to with them. It is expected that the price compensation due to the Company related to sales in a quarter under the price adjustment mechanism for provinces with tender prices above the reference (baseline) tender price will continue to be recognized on a rolling one-to-two quarter delayed basis relative to the originating sales quarter.

Promotion Services Revenue. The Company recognizes promotion services revenue after designated medical products are delivered to the distributors as specified in a promotion services contract, which marks the period when marketing and promotion services have been rendered and the revenue recognition criteria are met.

Revenue Reserve . The Company generally maintains a revenue reserve for product returns based on estimates of the amount of product to be returned by its customers which are based on historical patterns, analysis of market demand and/or a percentage of sales based on industry trends, and management's evaluation of specific factors that may increase the risk of product returns. Importing agents or distributors do not have contractual rights of return except under limited terms regarding product quality. However, the Company is expected to replace products that have expired or are deemed to be damaged or defective when delivered upon arrival at destination. The calculation of the revenue reserve requires estimates and involves a high degree of subjectivity and judgment. As a result of the uncertainties involved in estimating the revenue reserve, there is a possibility that materially different amounts could be reported under different conditions or using different assumptions.

As of December 31, 2016 and 2015, the Company's revenue reserves were $0.3 million and $0.1 million, respectively, on its consolidated balance sheets.

The Company evaluates the need for a returns reserve quarterly and adjusts it when events indicate that a change in estimate is appropriate. Changes in estimates could materially affect the Company's results of operations or financial position. It is possible that the Company may need to adjust its estimates in future periods.

Sales Tax and Surcharge Expense

Sales taxes and surcharge costs are expensed as incurred and are included in sales and marketing expense. The Company is generally subject to a 5 - 6.42 % business tax and surcharge for services provided related to marketing products under the relevant taxation laws in China. Sales tax and surcharge costs amounted to approximately $3.8 million, $3.4 million, and $ 2.5 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Research and Development Expenses

Research and development costs are expensed as incurred. These costs include salaries and other personnel-related expenses, including associated stock-based compensation, facility-related expenses, depreciation of facilities and equipment, upfront and milestone payments under in-licensing agreements with certain business partners and other license-related fees, and services performed by clinical research organizations and research institutions and other outside service providers.

Shipping and Handling Costs

Shipping and handling costs incurred for inventory purchases and product shipments are included in cost of product sales for all periods presented.

Advertising Expenses

Advertising costs are expensed as incurred and are included in sales and marketing expenses for all periods presented. Advertising expenses for the years ended December 31, 2016, 2015, and 2014, were $1.7 million, $ 4.1 million, and $2.6 million, respectively.

Legal Costs

Legal costs related to loss contingencies are expensed to general and administ rative expense as incurred.

Stock-Based Compensation

The Company records stock-based compensation costs relating to share-based payment transactions, including stock options, restricted stock units ("RSUs"), performance restricted stock units ("PSUs") and the employee stock purchase plan ("ESPP"). Stock-based compensation expense for stock options and the employee stock purchase plan is estimated at the date of grant based on the fair value of the award using the Black-Scholes option-pricing model. Stock-based compensation expense for RSUs and PSUs are estimated at the date of grant based on the number of shares granted and the quoted price of the Company's common stock on the grant date. Stock-based compensation expense values for stock options, RSUs and the ESPP are recognized as expense on a straight-line basis over the requisite service period, net of estimated forfeitures. The stock-based compensation costs that are ultimately expected to vest are recognized as expense ratably (as the awards vest) over the requisite service period, which is generally one or four years for stock options and RSUs and three months for the ESPP. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The total expense recognized over the vesting period will only be for those awards that ultimately vest. The Company recognizes expense related to the PSUs and performance stock options over the implicit service period if it is probable that the performance goals will be achieved. If it is subsequently determined that the performance goals are not probable of achievement, the expense related to the PSUs or performance stock options is reversed.

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. The Company provides a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more-likely-than-not that the deferred tax assets will not be realized. When the Company establishes or reduces the valuation allowance against its deferred tax assets, its provision for income taxes will increase or decrease, respectively, in the period such determination is made.

The Company records liabilities related to uncertain tax positions in accordance with the guidance that clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company does not believe any such uncertain tax positions currently pending will have a material adverse effect on its consolidated financial statements, although an adverse resolution of one or more of these uncertain tax positions in any period could have a material impact on the results of operations for that period. The Company's policy is to recognize interest and penalties related to the liabilities for uncertain tax positions as a component of income tax expense. The amount of accrued interest related to tax positions taken on the Company's tax returns and included in accrued and other current liabilities was $1.7 million as of December 31, 2016 and 2015. The amount of interest recognized as tax expense related to uncertain tax positions in the consolidated statements of income was $0.1 million, $0.2 million and $0.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Net Income Per Share

Basic net income per share has been computed by dividing net income by the weighted-average number of shares of common stock outstanding for the period. Diluted net income per share is computed by dividing net income by the weighted-average number of common equivalent shares outstanding for the period. Diluted net income per share includes any dilutive impact from outstanding stock options, stock awards and the ESPP using the treasury stock method.

The following is a reconciliation of the numerator and denominators of the basic and diluted net income per share computations for the years ended December 31 *(in thousands, except per share amounts):*

	2016	2015	2014
Numerator:			
Net income	$ 30,729	$ 29,463	$ 25,208
Denominator:			
Weighted-average shares outstanding used to compute basic net income per share	50,235	49,797	51,277
Effect of dilutive securities	2,331	2,376	1,407
Weighted-average shares outstanding used to compute diluted net income per share	52,566	52,173	52,684
Basic net income per share	$ 0.61	$ 0.59	$ 0.49
Diluted net income per share	$ 0.58	$ 0.56	$ 0.48

For the years ended December 31, 2016, 2015, and 2014, approximately 2,207,440, 1,151,537 , and 3,541,071 shares, respectively, related to outstanding stock options and awards were excluded from the calculation of diluted net income per share because the effect from the assumed exercise or issuance of these options or awards calculated under the treasury stock method would have been anti-dilutive. In addition, for the years ended December 31, 2016, 2015, and 2014, outstanding stock options and awards for 275,000 , 312,500 , and 50,000 shares, respectively, subject to performance conditions were excluded from the calculation of diluted net income per share because the performance criteria had not been or were not probable to be met.

Segment Information

The Company operates in two segments (refer to Note 17).

Error Correctio n

The Company provided $1.3 million of additional income tax expense, and recorded a corresponding accrual in accrued and other current liabilities, during the year ended December 31, 2016 to correct an error. The error correction reflected the recognition of a previously unrecognized liability for uncertain tax positions related to the potential nondeductibility, under the People's Republic of China ("PRC") tax regulations, of certain marketing costs related to the Company's China operations. The adjustment related to tax years 2013 to 2015 and reflected the estimated tax exposure for each year as well as accrued interest thereon; such tax and interest amounts were $0.4 million, $0.5 million, and $0.4 million for the full years 2013, 2014, and 2015, respectively. The Company's management evaluated the effects of the error on each prior annual and interim period, as well as the total error accumulated at the end of each respective prior period, and concluded under both approaches that the effects of the error were not material to previously issued annual or interim financial statements. The Company's management also evaluated the total amount of the error correction in relation to actual results for full year 2016 and concluded the impact was not material to the 2016 financial statements . Accordingly, the total adjustment was recorded as an out-of-period adjustment in 2016.

New Accounting Standards Updates

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* , which contains new accounting literature relating to how and when a company recognizes revenue. Under ASU 2014-09, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. ASU 2014-09 is effective for the Company's fiscal year beginning January 1, 2018, which reflects a one year deferral approved by the FASB in July 2015, with early application permitted provided that the effective date is not earlier than the original effective date. The Company is currently undertaking an assessment of its revenue contracts to determine what impact, if any, the adoption of ASU 2014-09 will have on its financial statements and related disclosures. The Company anticipates the impact of ASU 2014-09 will likely be limited to the timing of recognition of its variable consideration. This variable consideration arises from situations where the Company's exclusive distributor in China is invoiced for the portion of the price that results from situations where the provincial tender price is greater than the reference (baseline) tender price at a later time subsequent to the original sale. Such amount is currently recognized as revenue after the amount has been agreed to with the distributor in a later quarter relative to the

originating sales quarter. The timing of the recognition of such amounts may be earlier under the new guidance; the Company plans to finalize its assessment in early 2017. The standard permits the use of either the full retrospective or modified retrospective transition method. The Company has not yet selected a transition method.

In November 2015, the FASB issued ASU 2015-17, " *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes".* This ASU amends existing guidance to require that deferred income tax liabilities and assets be classified as noncurrent in a classified balance sheet, and eliminates the prior guidance which required an entity to separate deferred tax liabilities and assets into a current amount and a noncurrent amount in a classified balance sheet. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted as of the beginning of an interim or annual period. Additionally, the new guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company plans to apply the new guidance retrospectively. The impact of adopting this guidance is not expected to be material to the consolidated financial statements given the Company's deferred tax amounts.

In January 2016, the FASB issued ASU 2016-01, *"Financial Instruments (Topic 825): Recognition and Measurement of Financial Assets and Liabilities"* . The amended guidance (i) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is currently required to be disclosed for financial instruments measured at fair value; (iii) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and (iv) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, or calendar 2018 for the Company. The amended guidance should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company has evaluated the impact of adoption of this guidance on its consolidated financial statements and has concluded that the impact will be limited to a cumulative-effec t adjustment for its investment in the common stock of a third-party which is currently classified as an avail able-for-sale equity investment , as well as prospective recognition of changes in th e fair value of such investment , to the extent the Company continues to own the investment , as a component of net income.

In February 2016, the FASB issued ASU 2016-02, " *Leases (Topic 842)* ". Under the new guidance, lessees will be required to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on the balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. This update is effective for the Company from calendar 2019 and from the first interim period of calendar 2019, with earlier application permitted. The Company is evaluating the impact of the adoption of this update on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *"Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,"* which outlines new provisions intended to simplify various aspects related to accounting for share-based payments and their presentation in the financial statements. The Company currently plans to implement this ASU as required in the first quarter of calendar 2017. The Company does not expect that the adoption will have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, " *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* " This ASU requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The standard is effective for the Company from calendar 2020, with early adoption permitted for calendar 2019. The Company has yet to commence an evaluation of the impact of the adoption of this standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *"Classification of Certain Cash Receipts and Cash Payments (Topic 230)."* Current GAAP is unclear or does not include specific guidance on how to classify certain transactions in the statement of cash flows. This ASU is intended to reduce diversity in practice in how eight particular transactions are classified in the statement of cash flows. ASU No. 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is

permitted, provided that all of the amendments are adopted in the same period. Entities will be required to apply the guidance retrospectively. If it is impracticable to apply the guidance retrospectively for an issue, the amendments related to that issue would be applied prospectively. As the likelihood of the Company experiencing one or more of the eight particular specified transactions is low, ASU 2016-15 is not expected to have a material impact on the Company's consolidated financial statements .

In January 2017, the FASB issued ASU 2017-04, " *Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment* " *(Topic 350)* , which removes the requirement to perform a “Step 2” hypothetical purchase price allocation to measure goodwill impairment if “Step 1” of the traditional two-step goodwill impairment model is failed. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value (the determination from “Step 1”), not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for us for annual and interim periods beginning January 1, 2020, with early adoption permitted, and applied prospectively. ASU 2017-04 will impact our goodwill balance to the extent such goodwill balance exists at the adoption date and to the extent that the fair value of our China reporting unit is less than its carrying value.

Note 2 — Fair Value Measurements

The following tables represent the Company’s fair value hierarchy for its financial assets measured at fair value on a recurring basis *(in thousands):*

	Fair Value Measurements as of December 31, 2016 Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2016
Money market funds	$ 19,701	$ —	$ —	$ 19,701
Common stock investment in third party (Note 5)	—	794	—	794
Total	$ 19,701	$ 794	$ —	$ 20,495

	Fair Value Measurements as of December 31, 2015 Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2015
Money market funds	$ 19,678	$ —	$ —	$ 19,678
Total	$ 19,678	$ —	$ —	$ 19,678

Note 3 — Inventories

Inventories consisted of the following *(in thousands):*

	December 31,	
	2016	2015
Raw materials	$ 5,304	$ 3,871
Work in progress	498	535
Finished goods	10,785	6,570
Total	$ 16,587	$ 10,976

As of December 31, 201 6 and 201 5 , the Company had $ 4.6 million and $3. 3 million, respectively, in inventory held at distributors related to non –ZADAXIN product s .

Note 4 — Property and Equipment

Property and equipment consisted of the following *(in thousands)* :

	December 31,	
	2016	2015
Construction in process	$ 14	$ 18
Office equipment	3,363	3,172
Leasehold improvements	1,513	1,281
Office furniture and fixtures	1,320	1,377
Software	936	897
Vehicle	81	67
Gross property and equipment	7,227	6,812
Less accumulated depreciation	(5,225)	(4,161)
Net property and equipment	$ 2,002	$ 2,651

Depreciation expense was $1.0 million, $0.9 million and $ 0. 9 million for each of the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively .

Note 5 — Investment in Third Party

On September 9, 2016, the Company and Soligenix, Inc. , a publicly-traded entity, entered into an exclusive license agreement (the "License Agreement"), including a common stock purchase agreement, pursuant to which Soligenix granted rights to the Company to develop, promote, market, distribute and sell an oral mucositis-targeted drug candidate ("SGX942") in the People 's Republic of China, Hong Kong, Macau, Taiwan, South Korea and Vietnam (the "Territory"). Under the terms of the License Agreement, the Company will be responsible for all aspects of development, product registration, and commercialization in the Territory, having access to data generated by Soligenix. In exchange for exclusive rights, beyond an upfront payment, the Company will pay to Soligenix royalties on net sales, and Soligenix will supply commercial drug product to the Company on a cost-plus basis, while maintaining worldwide manufacturing rights. This exclusive agreement builds on an existing collaboration between the two companies established in 2013, in which the Company provided its complete oral mucositis clinical and regulatory data library to Soligenix in exchange for certain, previously undisclosed, commercialization rights to the oral mucositis drug candidate in the Greater China market. As the Company obtained rights for Greater China (mainland China, Hong Kong, and Macau) in the earlier 2013 exchange, the September 2016 agreement in substance represented the acquisition of additional rights for Taiwan, South Korea, and Vietnam.

As part of the License Agreement, the Company entered into a common stock purchase agreement with Soligenix pursuant to which the Company bought 3,529,412 shares of Soligenix common stock. These common shares are unregistered but the Company has demand registration rights and can compel a registration of the securities in a reasonably short time in the event the Company plans to sell the shares. The total cash consideration of $3,000,000 paid to Soligenix at the time of the transaction reflected the purchase price of the common stock and the consideration for expanded territorial rights in South Korea, Taiwan and Vietnam.

As of the transaction date, the common stock was recorded at an initial fair value of $2.7 million representing publicly qu oted closing share prices from the OTCQB, the over-the-counter market on which Soligenix's securities were listed at the time. The residual cash consideration of $0.3 million related to the expanded territorial rights was recorded as research and development expense in the third quarter of fiscal 2016.

The Company is holding the Soligenix shares in the context of a business relationship, and as such has classified them as available-for-sale. The common stock investment is adjusted to fair value at each reporting date with unrealized gains (losses) reported as a component of other comprehensive income (loss).

In October 2016, in connection with an up-listing of its stock from the OTCQB market to the NASDAQ Common Market, Soligenix declared a 1 for 10 reverse stock split, converting the Company's ownership in Soligenix from 3,529,412 shares to 352,94 2 shares. As of December 31, 2016, the fair value of the Soligenix common stock investment was $0.8 million and the unrealized holding loss on the investment was $1.9 million, which was recorded as a component of other comprehensive loss (net of tax, which is

zero as the entity holding the security is in a zero-tax jurisdiction) . The Company determined that the write-down of fair value was not other-than-temporary after considering the volatility of the common stock and other investee-specific facts and circumstances.

Note 6 — Loans Receivable

As part of the Company's May 2013 license and supply agreement with Zensun (Shanghai) Science & Technology Co. Ltd ("Zensun"), the Company previously agreed to loan up to $12 million to Zensun. The entry into the license and supply agreement in the second quarter of 2013, pursuant to which the Company licensed the exclusive rights to promote, market, distribute, and sell Neucardin ™, a chronic heart failure product under development by Zensun (such rights licensed for the People's Republic of China, Hong Kong and Macao) is more fully described in Note 1 3 .

Pursuant to its agreement to loan funds, the Company loaned $ 12 million to Zensun. The extension of credit and funding to Zensun was accomplished through two of the Company's subsidiaries, SPIL China, and SciClone Pharmaceuticals (China) Ltd. ("SciClone China").

With respect to lender SciClone China, Zensun can make RMB-denominated borrowings for up to RMB 1,550,000 using an entrustment mechanism with a bank as an intermediary. In the third quarter of 2014, SciClone China entered into an entrusted loan agreement for RMB 1,550,000 (approximately U.S. $ 223 ,000 as of December 31, 201 6) with Zensun, using a major Chinese bank as the lending agent. SciClone China is the principal and ultimately bears the credit risk, not the bank. The loan bears interest at a fixed rate of 7.5% per annum and Zensun is subject to obligations of the borrower as specified in the loan agreements. The loan term is sixty-six months. All outstanding principal and interest balances must be repaid by the maturity date, with prepayments permitted without penalty upon prior notice.

With respect to lender SPIL China, Zensun could request U . S . -dollar denominated borrowings up to $11.75 million. As of December 31, 2016 , borrowings totaling $11.75 million had been requested by Zensun and paid by SPIL China with $4.5 million lent in the second half of 2014 and $7.25 million lent in the second quarter of 2015. These borrowings bear interest at a fixed rate of 7.5% per annum payable annually in arrears at each interest payment date as defined in the overall loan agreement. These borrowings were originally scheduled to mature on September 26, 2017 , with an option (granted at loan origination) electable by Zensun to extend for two additional years provided certain conditions are met. As of December 31, 2016, the borrower had notified the Company of its intent to exercise its option to extend the borrowings for two additional years , or to September 26, 2019 . All outstanding balances must be repaid by the maturity date, with prepayments permitted without penalty upon prior notice.

The proceeds of the separate but related loans are to be used for working capital and general corporate purposes by Zensun. To secure the loans, Zensun pledged its entire equity interest in its subsidiary, Shanghai Dongxin Biochemical Technology Co. Ltd. (whose assets include real property) to SPIL China.

Management, on the basis of (i) a creditworthiness evaluation using recent Zensun financial information, (ii) consideration of evidence of the market value of the pledged security indicating such market value exceeded the outstanding loan principal, and (iii) consideration of Zensun's compliance with the terms of the loans and timely payment s of interest, concluded there were no indications of loan impairment at December 31, 2016 . A ccordingly, there is no allowance for losses.

The two loans are included in "other assets" on the Company's consolidated balance sheet as of December 31, 2016 and 2015 . Interest income on the loans amounted to $0.9 million, $ 0.8 mi llion and $0.1 million for the year s ended December 31, 201 6, 201 5 and 2014 , respectively, and is included in interest and investment income in the consolidated statement s of income . The Company estimates the fair value of the loans receivable approximates $ 12. 4 million as of December 31, 2016 , based upon prevailing market rates of interest as published by major Chinese banks.

Note 7 — Goodwill

The following table represents the changes in goodwill for t he years ended December 31, 2016 , 201 5 and 201 4 (*in thousands*):

Balance as of January 1, 2014	$	35,357
Translation adjustments		(836)
Balance as of December 31, 2014	$	34,521
Translation adjustments		(1,542)
Balance as of December 31, 2015	$	32,979
Translation adjustments		(2,141)
Balance as of December 31, 2016	$	30,838

Note 8 — Accrued Liabilities

The following is a summary of accrued liabilities *(in thousands)* :

	December 31,	
	2016	**2015**
Accrued SEC settlement loss (Note 15)	$ —	$ 12,826
Accrued sales and marketing expenses	8,623	8,511
Accrued taxes, tax reserves and interest	5,335	4,323
Accrued compensation and benefits	5,140	4,341
Accrued professional fees	1,298	1,130
Accrued manufacturing costs	715	444
Other	1,685	576
Total	$ 22,796	$ 32,151

Note 9 — Commitments

Purchase Obligations

Under agreements with certain of the Company's pharmaceutical partners, the Company is committed to certain annual minimum product purchases where the contract is subject to termination if the annual minimum order is not met. As of December 31, 201 6 , the Company did not have any material unmet purchase obligations.

Leases

In May 2007, the Company entered into a non-cancelable operating lease agreement for its corporate headquarters ("the Lease") effective from July 1, 2007 through June 30, 2014. In September 2008, the Company entered into an amendment to the Lease for additional office space ("the Amendment") that expired on June 30, 2014. Both the Lease and Amendment contained rent escalations of approximately 4% and 6% per year, respectively. In December 2013, the Company entered into a second amendment to the Lease extending the term of the lease for an additional four years through June 30, 2018, with an option to renew for an additional five year period. Beginning on July 1, 2014, the second amendment reduced the amount of leased office space from approximately 21,517 square feet leased to approximately 11,886 square feet. It also reduced the monthly base rent of $120,824 to $51,704 in the first year, with rent escalations of approximately 3% per year. In addition, the Company received a rent abatement for the first four months of the extended lease term.

The Company is recognizing the rental expense on a straight-line basis over the lease term. Under the terms of the Lease and the Amendment, the Company was provided allowances in the amounts of approximately $0.2 million and $0.5 million, respectively, towards the cost of its leasehold improvements and as an incentive to rent, respectively. The Company has recorded these allowances as deferred rent which is being amortized over the lease term as a reduction of rent expense. The Lease requires the Company to pay insurance and taxes and its pro-rata share of operating expenses.

In June 2014, the Company entered into a non-cancelable operating lease agreement for its primary office space in China ("the China Lease") for a fixed lease term from October 15, 2014 through April 14, 2018, with options to renew for an additional two years. The Company is recognizing the rental expense on a straight-line basis over the lease term. The lease require s the Company to pay insurance and its pro-rata share of operating expenses.

The Company also leases other office facilities and equipment outside the U.S. under non-cancelable operating lease agreements. Through May 2014, the Company also subleased certain office facilities to a third party. Rent expense for the years ended December 31, 201 6 , 201 5 , and 201 4 , was $2.1 million, $2. 1 million, and $2. 2 million, respectively, net of sublease income.

Future minimum lease payments under non-cancelable facility and equipment operating lease agreements as of December 31, 201 6 , were as follows *(in thousands)* :

Year ended:	Minimum Lease Payments
2017	$ 2,311
2018	1,062
2019	267
2020	—
2021	—
	$ 3,640

Note 10 — Income Taxes

The Company recorded income tax provisions of $3.4 million, $0.8 million, and $1.2 million for the years ended December 31, 2016, 2015, and 2014, respectively, related to its operations in China. Tax expense increased $2.6 million for the year ended December 31, 2016, compared to 2015, related to $1.3 million of additional tax expense representing the correction of an error related to a previously unrecognized liability for uncertain tax positions in China (refer also to Note 1, " ***Error Correction*** ") and due to higher sales and related marketing activities in the Company's China business for the year ended December 31, 2016 . Tax expense decreased for the year ended December 31, 2015, compared to 2014, mainly related to a reduction in the Company's liabilities (and associated accrued interest) for uncertain tax positions in China due to certain tax years becoming closed to assessment due to the expiration of the statute of limitations as well as a result of lower taxable income related to restructuring the Company's China operations. The Company's statutory tax rate in China was 25 % in 2016, 2015 and 2014. The Company has not recorded any significant U.S. federal or state income taxes for the years ended December 31, 2016, 2015, and 2014 .

The Company has concluded that its offshore undistributed accumulated earnings as of December 31, 2016 of $21 1 million, exclusive of the dividend repatriations which were entirely satisfied out of fiscal 2016 and 2015 earnings and profits, respectively, as further explained below, continues to be indefinitely reinvested outside of the U.S., and has therefore provided no taxes thereon. Upon any distribution of accumulated undistributed earnings, the Company may be subject to U.S. federal and state income taxes, although determining the amount is not practicable as it is dependent on a variety of factors, including, but not limited to, the amounts of U.S. tax loss carryforwards and tax credit carryforwards available at the time of the repatriation.

During 2016, $10 million in dividend distributions were made to the parent company to address the parent company's liquidity needs from fiscal 2016 earnings and profits of its foreign subsidiaries which were not part of the cumulative pool of undistributed earnings of foreign subsidiaries as of December 31, 2015. The repatriation did not result in any additional U.S. federal or state tax liability for 2016 as tax-deductible corporate expenses incurred and consumption of available accumulated net operating loss, fully offset the amount of the taxable income represented by the dividend distributions. Accordingly, related tax provided were zero.

During the fourth quarter of fiscal 2015, the Company also repatriated a special dividend distribution of $12.8 million related to the SEC settlement expense (as further described in Note 15) from fiscal 2015 earnings and profits of its foreign subsidiaries, which were not part of the cumulative pool of undistributed earnings of foreign subsidiaries as of December 31, 2014. The Company recorded U.S. federal income taxes for this income as a component of the 2015 income tax provision; however, the net effect of the special dividend distribution on the 2015 income tax provision was zero as the incremental taxable income (as well as the nondeductible applicable SEC settlement expenses) were fully offset by tax-deductible corporate expenses.

Based on the Company's current liquid resources and future operating plan, it does not need to repatriate undistributed earnings held by foreign subsidiaries accumulated through December 31, 2016. However, to meet future operating needs, the Company may repatriate a portion of future annual foreign earnings in a forthcoming annual period. The Company plans to accrue for U.S. income taxes on future foreign earnings that it anticipates repatriating from its foreign subsidiaries. T he Company has significant on going corporate expenses and accumulated net operating loss and tax credit carryforwards available to offset any tax liability on a dividend distribution from its foreign subsidiaries.

The domestic and foreign components of income (loss) before provision for tax for the years ended December 31 are as follows *(in thousands)* :

	2016	2015	2014
Domestic	$ (8,363)	$ (17,017)	$ (8,496)
Foreign	42,496	47,287	34,873
Pre-tax income	$ 34,133	$ 30,270	$ 26,377

A reconciliation of tax at the statutory federal income tax rate of 34% to the actual tax provision for the years ended December 31 is as follows *(in thousands)* :

	2016	2015	2014
Tax at federal statutory rate	$ 11,605	$ 10,382	$ 8,968
Foreign income taxed at different rates	(11,712)	(15,210)	(10,788)
Federal tax effect of dividend from foreign subsidiary	2,999	4,317	—
Effect of uncertain tax positions	667	(126)	127
Change in valuation allowance	(199)	1,092	2,672
Stock-based compensation	(604)	(86)	2
Nondeductible expenses	247	189	189
Other	401	249	(1)
Provision for income tax	$ 3,404	$ 807	$ 1,169

The provision for income taxes for the years ended December 31 consisted of the following (*in thousands*):

	2016	2015	2014
Federal	$ —	$ —	$ —
State	1	1	1
Foreign	3,103	793	1,489
Total current	3,104	794	1,490
Federal	—	—	—
State	—	—	—
Foreign	300	13	(321)
Total deferred	300	13	(321)
Provision for income tax	$ 3,404	$ 807	$ 1,169

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities as of December 31 are as follows (*in thousands*):

	2016	2015
Deferred tax assets:		
Net operating loss carryforwards	$ 36,938	$ 38,679
Research and development credit carryforwards	10,719	10,650
Intangibles	530	382
Other	2,543	2,692
Gross deferred tax assets	50,730	52,403
Valuation allowance	(50,730)	(52,104)
Total deferred tax assets	—	299
Deferred tax liabilities:		
Other	—	—
Total deferred tax liabilities	—	—
Net deferred tax assets	$ —	$ 299

Realization of deferred tax assets is dependent upon the Company generating future taxable income, the timing and amount of which are uncertain. Accordingly, the deferred tax assets have been fully offset by a valuation allowance with the exception of a net operating loss carryforward in a foreign jurisdiction as of the end of 2015 which was used to offset taxable income in 2016. The

valuation allowance (decreased) increased by approximately ($1. 4) million, $1.4 million, and $ 3.4 million, in the years ended December 31, 2016, 2015, and 2014, respectively. Approximately $4.4 million of the valuation allowance relates to benefits associated with stock option deductions that, when recognized, will be credited directly to stockholders' equity.

As of December 31, 2016, the Company had U.S. federal net operating loss carryforwards of approximately $ 112 . 9 million that expire in the years 2020 through 2035 , and U.S. federal research and development, orphan drug and investment tax credit carryforwards of approximately $ 12.3 million that expire in the years 2018 through 2036 . As of December 31, 2016, the Company had approximately RMB 40.8 million in net operating loss carryforwards related to its NovaMed Pharmaceuticals (Shanghai) Co. Ltd. (“ NovaMed Shanghai ”) subsidiary that expire in the years 2019 through 2021 . As of December 31, 2016, the Company had state net operating loss carryforwards of approximately $ 25.9 million that expire in the years 2017 through 2030 , if not utilized, and state research and development tax credit carryforwards of approximately $ 2.2 million that do not expire.

Utilization of the Company’s net operating loss and credit carryforwards may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such annual limitation could result in the expiration of the net operating loss and credit carryforwards before utilization.

As of December 31, 2016, the unrecognized tax benefit was $5.8 million, of which $ 2.2 million, if recognized would affect the effective tax rate, and $ 3.6 million, if recognized, would be offset by a change in the valuation allowance. Accrued interest associated with the liability for unrecognized tax benefits was $1.7 million as of December 31, 2016. A reconciliation of the beginning and ending amount of unrecognized tax benefit for the years ended December 31 is as follows *(in thousands):*

	2016	2015	2014
Balance beginning of period	$ 5,470	$ 5,876	$ 6,138
Tax positions related to current year:			
Additions for current year items	25	14	32
Additions for prior year items (see Note 1)	1,009	—	—
Lapse of statute of limitations	(604)	(288)	(206)
Changes for foreign currency translation	(117)	(132)	(88)
Balance end of period	$ 5,783	$ 5,470	$ 5,876

Tax years 1995-2016 remain open to examination by the major U.S. taxing jurisdictions to which the Company is subject. The Internal Revenue Service concluded its examinations of the Company’s 2011, 2009 and 2008 U.S. federal tax returns with no additional tax assessments or proposed adjustments relating to taxable income for any years. The Company’s China operations are generally subject to examination under China tax law for a period of five years and those five years remain open for examination. The outcome of income tax examinations is uncertain, and the amounts ultimately paid, if any, on resolution of any issues raised by the taxing authorities may differ materially from the amounts accrued for each year. The Company anticipates that its liability for unrecognized tax benefits will decrease over the next 12 months on account of expiries of statutes of limitations associated with certain tax jurisdictions, and that such decreases will favorably impact the effective tax rate.

Note 11 — Stockholders’ Equity

Stock Award Plans

The Company’s 2015 Equity Incentive Plan (the “2015 Plan”) became effective on June 11, 2015 and superseded the 2005 Equity Incentive Plan (the “2005 Plan”) and the 2004 Outside Directors Stock Option Plan (the “2004 Director Plan”), when those plans terminated upon the adoption of the 2015 Plan. The 2015 Plan authorizes the Company to issue up to 6,550,000 shares increased by not more than 3,000,000 additional shares that were subject to options and other awards outstanding under the 2005 Plan and 2004 Director Plan, to the extent that such awards expire or are forfeited for any reason after the effective date of the 2015 Plan. The 2015 Plan permits the grant of incentive stock options, nonstatutory stock options, RSUs, PSUs and other forms of equity compensation. Under the 2015 Plan, options are exercisable upon conditions determined by the Board of Directors and expire ten years from the date of grant. Options have exercise prices equal to the grant date fair market value of a share of Company common stock and vest over time, generally four years, or on achievement of certain performance conditions. See *Stock-Based Compensation* .

The Company’s 2005 Plan had authorized up to 13,600,000 shares of common stock for issuance. The 2005 Plan permitted the grant of incentive stock options, nonstatutory stock options, RSUs, PSUs and other forms of equity compensation. Under the terms of

the 2005 Plan, options are exercisable upon conditions determined by the Board of Directors and expire ten years from the date of grant. Options have exercise prices equal to the grant date fair market value of a share of Company common stock and vest over time, generally four years, or on achievement of certain performance conditions. See *Stock-Based Compensation* . As of December 31, 201 6 , no shares of common stock were available for future issuance of new awards under the 2005 Plan. Although the 2005 Plan has terminated, the outstanding stock options relating to it are fully valid and are governed by the terms of the 2005 Plan.

The Company's 2004 Director Plan authorized up to 1,765,000 shares of common stock for issuance. The 2004 Director Plan automatically granted nonqualified stock options to nonemployee directors on their appointment or first election to the Company's Board of Directors ("Initial Grant") and annually on their reelection to the Board of Directors at the Company's Annual Meeting of Stockholders ("Annual Grant"). Under the 2004 Director Plan, options have exercise prices equal to the grant date fair market value of a share of Company common stock and expire ten years from the date of grant. Initial Grants became exercisable in three equal annual installments beginning on the first anniversary of the date of grant, and Annual Grants became exercisable in twelve equal monthly installments from the date of grant, subject in each case to the Director's continuous service on the Company's Board of Directors. As of December 31, 201 6 , no shares of common stock were available for future issuance of new awards under the 2004 Director Plan. Although the 2004 Director Plan has terminated, the outstanding stock options relating to it are fully valid and are governed by the terms of the 2004 Director Plan.

Certain stock option awards are subject to accelerated vesting if there is a change in control.

The Company issues new shares on exercise of stock options, for release of RSUs and PSUs and for issuance of stock under its ESPP.

Stock-Based Compensation

The following table summarizes the stock-based compensation expenses included in the Company's consolidated statements of income (*in thousands*):

	For the Year Ended December 31,		
	2016	2015	2014
Sales and marketing	$ 984	$ 869	$ 1,031
Research and development	336	210	104
General and administrative	5,113	3,362	2,330
	$ 6,433	$ 4,441	$ 3,465

Compensation cost capitalized in inventory was approximately $0. 2 million , $0.1 million and $0.1 million, for each of the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively . There has been no income tax benefit recognized in the income statement for share-based compensation arrangements as the arrangements relate to an entity with accumulated and ongoing tax net operating losses.

Valuation Assumptions

The fair value of awards granted under the Company's stock option and ESPP plans is estimated on the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions for the years ended December 31:

	2016	2015	2014
Risk-free interest rate:			
Time-based stock options	1.41 %	1.52 %	1.61 %
Performance-based stock options	N/A	N/A	N/A
ESPP	0.36	0.07	0.04
Volatility factor of the market price of the Company's common stock:			
Time-based stock options	48.53 %	52.08 %	57.96 %
Performance-based stock options	N/A	N/A	N/A
ESPP	42.33	53.73	42.50
Weighted-average expected life (years):			
Time-based stock options	5.24	5.30	5.00
Performance-based stock options	N/A	N/A	N/A
ESPP	0.25	0.25	0.25
Dividend yield	0.00 %	0.00 %	0.00 %

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is based on the Company's history and expectations of no dividend payouts. Expected volatility is based on the historical volatility of the Company's stock. The expected term of options granted is derived from historical data on employee exercises and terminations.

Stock Options

The following table summarizes stock option activity as of December 31, 201 6 , 201 5 and 201 4 , and changes during the years then ended are presented below *(in thousands, except per share and term amounts)* :

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance as of January 1, 2014	6,095	$ 4.14	5.66	$ 7,199
Options forfeited	(705)	5.10		
Options granted	1,740	4.85		
Options exercised	(1,233)	4.43		
Balance as of December 31, 2014	5,897	$ 4.17	6.08	$ 27,066
Options forfeited	(262)	5.77		
Options granted	1,414	8.83		
Options exercised	(1,022)	4.48		
Balance as of December 31, 2015	6,027	$ 5.14	6.07	$ 24,462
Options forfeited	(293)	8.20		
Options granted	1,510	9.79		
Options exercised	(1,993)	3.66		
Balance as of December 31, 2016	5,251	$ 6.87	6.87	$ 21,112
Vested and expected to vest after December 31, 2016	4,847	$ 6.71	6.71	$ 20,278
Exercisable as of December 31, 2016	2,840	$ 5.56	5.53	$ 15,112

The Company has granted certain performance-based options to purchase shares of the Company's common stock at an exercise price equal to the closing price of a share of the Company's common stock as of the grant date. The options will fully vest on meeting a performance goal within an established time frame. If the performance goal is met for the option within the established time frame, the option generally has a ten -year term measured from the date of grant. If the performance goal is not met within the established time frame, the option expires in its entirety. The Company recognizes expense related to a performance-based option over the period of time the Company determines that it is probable that the performance goal will be achieved. If it is subsequently determined that the

performance goal is not probable of achievement, the expense related to the performance-based option is reversed. For the years ended December 31, 201 6 , 201 5 , and 201 4 , the Company recognized approximately $0 , $ 20,000 , and $ 0.1 million , respectively, of expense related to performance-based options.

The weighted-average fair value of stock options granted for the years ended December 31, 201 6 , 201 5 , and 201 4 , was $4. 33 , $4 . 18 , and $ 2. 43 , respectively. The intrinsic value of options at time of exercise was $ 14 . 6 million, $4 . 7 million, and $ 2 . 4 million, for the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively. The estimated fair value of options vested for the years ended December 31, 201 6 , 201 5 , and 201 4 was $ 4. 4 million, $3. 9 million, and $ 3. 2 million, respectively. As of December 31, 201 6 , unamortized compensation expense related to unvested options was approximately $ 6 . 6 million, net of forfeitures. The weighted average period over which compensation expense related to these options will be recognized is approximately 2.4 1 years. Cash received from stock option exercises was $ 5 . 6 million, $ 4 . 6 million, and $ 5 . 5 million for the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively. In addition, t he Company withheld 411,407 shares representing a value of $3.4 million to cover taxes and the exercise price in connection with the exercise of certain stock options.

RSUs and PSUs

The following table summarizes RSU and PSU activity as of December 31, 201 6 , 201 5 , and 201 4 and changes during the years then ended are presented below *(in thousands)* :

	RSUs and PSUs Outstanding	
	Number of Shares	Aggregate Intrinsic Value
Balance as of January 1, 2014	368	$ 1,857
Awarded	7	
Vested/Released	(212)	
Forfeited	(4)	
Balance as of December 31, 2014	159	$ 1,393
Awarded	688	
Vested/Released	(105)	
Forfeited	—	
Balance as of December 31, 2015	742	$ 6,822
Awarded	345	
Vested/Released	(151)	
Forfeited	(26)	
Balance as of December 31, 2016	910	$ 9,825
Vested and expected to vest after December 31, 2016	775	$ 8,365
Exercisable as of December 31, 2016 (Vested and deferred)	—	—

The RSUs generally vest 25 % approximately one year after grant date with the remaining shares vesting approximately annually in equal installments over a one - to four - year period, depending on the terms of the grant. The PSUs will vest and be released on meeting specified performance goals (including revenue and product expansion targets) within an established time frame. If the performance goals are not met within the established time frame, the PSUs will expire. The Company recognizes expense related to the PSUs over the implicit service period if it is probable that the performance goals will be achieved. If it is subsequently determined that the performance goals are not probable of achievement, the expense related to the PSUs is reversed. For the years ended December 31, 2016, 2015 and 2014 , the Company recorded approximately $0. 3 million, $ 0.1 million and $0 , respectively, of expense related to the PSUs. The weighted average fair value at grant date of the RSUs and PSUs was $ 10 . 04 , $8 . 95 , and $ 4. 52 , for the years ended December 31, 201 6 , 201 5 , and 201 4 , respe ctively. The fair value of RSUs and PSUs vested for the years ended December 31, 2016, 2015, and 2014 was $1.6 million, $1.0 million, and $1.0 million, respectively. As of December 31, 2016 , there was approximately $ 3 . 7 million of unrecognized compensation cost, net of forfeitures, related to non-vested RSUs and PSUs, which is expected to be recognized over a weighted average remaining period of approximately 1 . 31 years.

ESPP

As of December 31, 2016 , 2,4 00,000 shares of the Company's common stock are reserved for issuance under the Company's ESPP. Under the terms of the ESPP, eligible employees may choose to have up to 15 % of their salary withheld to purchase the Company's common stock and may purchase up to 999 shares up to a maximum dollar limit of $6,250 per offering period. Each offering under the ESPP is for a three -month period. The purchase price of the stock issued under the ESPP will be equal to 85 % of the lower of the fair market value of a share of common stock on the first day of the offering or on the final day of the offering period. As of December 31, 2016 , 2,398,138 shares of common stock were available for issuance under the ESPP.

Repurchase of Common Stock

The Company's Board of Directors authorized an $ 80.5 million share repurchase program that expired December 31, 2015 . The Company repurchased and retired 1,526,306 and 3,822,434 shares at a cost of $12.8 million and $24.4 million, during th e years ended December 31, 2015 and 2014, respectively , for a cumulative amount of $78.1 million in share repurchases repurchased under the repurchase program .

Repurchased shares have been retired and constitute authorized but unissued shares. Upon repurchase, the Company eliminated the par value associated with the retired shares, and the excess price of the repurchase above par value was charged to retained earnings (accumulated deficit).

Note 1 2 — 401(k) Plan

The Company has a pre-tax and Roth savings plan covering most U.S. employees, which qualifies under Section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may contribute a portion of their pre-tax or after-tax salary, subject to certain limitations. The Company contributes and matches 50% of the employee contributions. Company contributions, which can be terminated at the Company's discretion, were approximately $0. 2 million, $0. 2 million, and $0. 1 million for the years ended December 31, 201 6 , 201 5 , and 201 4 , respectively.

Note 1 3 — Licensing Agreements

Theravance Biopharma, Inc. ("Theravance Biopharma")

In May 2015, Theravance Biopharma granted the Company exclusive development and commercialization rights to VIBATIV ® (telavancin) in China, Hong Kong, Macau, Taiwan and Vietnam, in exchange for upfront and regulatory milestone payments totaling $6 million. SciClone will be responsible for all aspects of development and commercialization in the partnered regions, including pre- and post-launch activities and product registration. Theravance Biopharma will sell to SciClone all clinical and commercial product required to develop and commercialize VIBATIV in China and the Company's other licensed territories.

The Medicines Company

In December 2014, the Company entered into a strategic partnership agreement that grants SciClone a license and exclusive rights for two cardiovascular products in China from The Medicines Company including 1) Angiomax ® (bivalirudin) for Injection for which a Phase 3 registration trial was completed in China . The Company has received Clinical Trial Application ("CTA") approval and a Clinical Trial Waiver from the China Food and Drug Administration ("CFDA") in December 2016, and are in the process of preparing a New Drug Application ("NDA") , and 2) Cleviprex ® (clevidipine) In jectable Emulsion, for which a CTA for China was filed in 2013. The Company received CTA approval from the CFDA in early 2016 and are preparing a clinical study. As Chiesi USA, Inc. and its parent company, Chiesi Farmaceutici S.p.A. ("Chiesi"), acquired the rights to Cleviprex in June 2016 from The Medicines Company, SciClone will now be working together with Chiesi and The Medicines Company to progress the Cleviprex clinical study going forward. Under the terms of the agreement, which apply to Chiesi for Cleviprex, the Company will be responsible for all aspects of commercialization, including pre-and post-launch activities, for both products (Cleviprex and Angiomax) in the China market (excludi ng H ong Kong and Macao). The Company has also agreed to participate in the China registration process for both products. Financial terms of the agreements for the two products, in addition to net sales royalties payabl e to The Medicines Company and /or Chiesi, include the following additional payments to The Medicines Company and/or Chiesi: an upfront payment made in the fourth quarter of 2014; a project support services fee; and regulatory/commercial success milestone payments of up to an aggregate of $50.5 million.

Zensun

On May 13, 2013, the Company, through a designated affiliate, entered into a framework agreement with Zensun for the exclusive promotion, marketing, distribution and sale of Neucardin in China, Hong Kong and Macao. Neucardin is a novel, first-in-class therapeutic for the treatment of patients with intermediate to advanced heart failure, for which a NDA was submitted to and accepted for review by the CFDA in 2012. The CFDA informed Zensun in 2014 that its Phase 2 clinical study data is insufficient, and has asked Zensun to submit an NDA once the ongoing Phase 3 clinical study reaches its endpoints.

The Zensun framework agreement provides the principal terms of the arrangement and the two parties have also entered into a supplemental license and supply agreement.

Subject to certain conditions, the Company has agreed to make payments of up to $18.5 million to Zensun, consisting of an upfront payment amount and further amounts on the achievement of certain milestones, including the approval of an NDA for Neucardin , the granting of a manufacturing license, good manufacturing practices certificate and drug approval number in China. The Company has agreed under certain conditions to make milestone payments to Zensun of $10 million if approval is received for a new device to deliver Neucardin and up to $25 million if approval is re ceived for the use of Neucardin in additional indications.

Zensun will be responsible for manufacture of the product and the Company has agreed to purchase the product exclusively from Zensun for the duration of the agreement.

In addition, the Company agreed to provide a collateralized loan to Zensun of up to approximately $12.0 million. Refer to Note 6 “Loans Receivable” for further information on the loans to Zensun.

For the years ended December 31, 201 6 , 201 5 and 201 4 , the Company recorded upfront and milestone payments totaling $ 4 . 5 million, $ 7 . 5 million and $11 .0 million, respectively, in research and development expense related to its licensing arrangements.

Note 1 4 — Termination of Collaborati on with Cardiome Pharma Corp. (“ Cardiome”)

In August 2015, Cardiome, from whom the Company licensed marketing and commercialization rights to the heart medication Aggrastat ®, and the Company mutually agreed to end their collaboration for Aggrastat and terminate the Company’s exclusive distributorship in China for the product, resulting in the Company’s obligation to return all rights to the product to Cardiome. The Company recorded Aggrastat revenues of $1.8 million and $1.1 million for th e years ended December 31, 2015 and 2014, respectively, and the Company does not expect to generate any further Aggrastat revenues.

The terms of the agreement include up to $750,000 in transition payments to be received by the Company from Cardiome over approximately a one year period and require Cardiome to repurchase Aggrastat inventory held by the Company at its original purchase price. Transition payments in the amount of $300,000 and $ 4 50,000 were collected from Cardiome during the third quarter of fiscal 2016 and the second half of fiscal 2015 , respectively, and were recorded as a credit to general and administrative expenses. During the fourth quarter of 2015, the Company received $1.1 million from Cardiome for repurchased inventory. The Company recorded the $1.1 million for reimbursement for inventory returned as a reduction in cost of product sales since all of such inventory had previously been written down to zero.

For the year ended December 31 , 2015, the Company recorded a liability of $0.6 million, and a corresponding offset to revenue and cost of goods sold, related to Aggrastat product that it later repurchase d from its customer in connection with the termination of its agreement with Cardiome. Under the ter ms of the agreement, Cardiome was not obliged to repurchase this inventory already sold to the Company’s distributors.

Note 15 — Contingencies

Legal Matters

The Company is a party to various legal proceedings and was subject to government investigations, as noted in this section below. All legal proceedings and any government investigations are subject to inherent uncertainties, unfavorable rulings or other adverse events which could occur. Unfavorable outcomes could include substantial monetary damages or awards, injunctions or other remedies, and if any of these were to occur, the possibility exists for a material adverse impact on the Company's business, results of operations, financial position, and overall trends. The Company might also conclude that settling one or more such matters is in the best interests of its stockholders and its business, and any such settlement could include substantial payments.

As previously disclosed, since 2010 the SEC and the U.S. Department of Justice ("DOJ") had each been conducting formal investigations of the Company regarding a range of matters, including the possibility of violations of the Foreign Corrupt Practices Act ("FCPA"), primarily related to certain historical sales and marketing activities with respect to the Company's China operations. In response to these matters, the Company's Board appointed a Special Committee of independent directors (the "Special Committee") to oversee its response to the government inquiry. Based on an initial review, the Special Committee decided to undertake an independent investigation as to matters reflected in and arising from the SEC and DOJ investigations in order to evaluate whether any violation of the FCPA or other laws occurred.

The Company previously recorded a charge to operating expenses in the fourth quarter of 2013 in the amount of $2.0 million for the accrual of an estimated loss associated with the SEC and DOJ investigations based on the available information at the time. In the second quarter of 2015, the Company recorded an additional charge to operating expenses of $10.8 million based on an agreement in principle reached with the SEC which had not yet been finalized, bringing the accrued liability to $12.8 million.

On October 7, 2015, the Company deposited $12.8 million in an interest-bearing escrow account that it established related to the agreement in principle regarding a proposed settlement of FCPA-related matters with the staff of the SEC, creating a cash restriction at the time of deposit. On February 4, 2016, the Company announced that it entered into a settlement agreement with the SEC fully resolving the SEC's investigation into possible violations of the FCPA. Under the terms of the settlement agreement, in February 2016 the Company paid to the SEC a total of $12.8 million which was released from its escrow account, including disgorgement, pre-judgment interest and a penalty as final settlement. This payment was in line with the charges the Company previously recorded and disclosed as summarized above. As part of the agreement the Company neither admitted nor denied engagement in any wrongdoing and the Company agreed to give status reports to the SEC for the next three years on its continued remediation and implementation of anti-corruption compliance measures. The DOJ has also completed its related investigation and has declined to pursue any action.

NovaM ed Shanghai was a party to a Distribution and Supply Agreement with MEDA Pharma GmbH & Co. KG ("MEDA"). Following the Company's acquisition of NovaMed Shanghai, MEDA claimed it had a right to terminate the agreement under a change of control provision. NovaMed Shanghai does not believe that MEDA had a right of termination under the agreement. As of February 24, 2017, NovaMed Shanghai entered into a settlement agreement with MEDA to resolve all outstanding claims of each party under the Distribution and Supply Agreement, including as related to the China International Economic and Trade Arbitration Commission ("CIETAC") arbitration in which NovaMed Shanghai had been claiming for remuneration of services and for certain reimbursement amounts. Per the terms of the settlement agreement, MEDA shall pay NovaMed Shanghai $83,333, and NovaMed Shanghai shall withdraw its "Request for Second Arbitration" with CIETAC.

Note 16 — Credit Facility

In December 2013, the Company's subsidiary, NovaMed Shanghai entered into a 10.0 million RMB revolving line of credit facility (approximately $1.6 million USD) and a maximum 15.0 million RMB loan facility (approximately $2.4 million USD) with Shanghai Pudong Development Bank Co. Ltd. ("the Credit Facility") that was secured by its accounts receivable. The Credit Facility bore interest on borrowed funds at the People's Bank of China 6-month base rate plus 15% (6.44% in 2014) on outstanding balances. The Credit Facility expired November 30, 2014, and all amounts borrowed were repaid by the expiration date. For the year ended December 31, 2014, the Company paid interest of approximately $48,000 related to the Credit Facility.

Note 17 — Segment Information and Geographic Data

The Company reports segment information based on the internal reporting used by management for evaluating segment performance based on management's estimates of the appropriate allocation of resources to segments.

T he Company operates and manages its business primarily on a geographic basis. Accordingly, the Company determined its operating segments and reporting units, which are generally based on the nature and location of its customers, to be 1) China, and 2) Rest of the World, including the U.S. and Hong Kong.

The Company evaluates the performance of its operating segments based on revenues and operating income (loss). Revenues for geographic segments are generally based on the location of customers. Operating income (loss) for each segment includes revenues, related cost of sales and operating expenses directly attributable to the segment. Operating income (loss) for each segment excludes non-operating income and expense.

Summary information by operating segments is as follows (*in thousands*):

	For the Year Ended December 31,		
	2016	2015	2014
Revenue:			
China	$ 152,563	$ 151,573	$ 130,311
Rest of the World (including the U.S. and Hong Kong)	7,533	5,684	4,479
Total net revenues	$ 160,096	$ 157,257	$ 134,790
Income (loss) from operations:			
China	$ 57,202	$ 52,892 (2)	$ 35,630 (4)
Rest of the World (including the U.S. and Hong Kong)	(23,967) (1)	(22,981) (3)	(9,646)
Total income from operations	$ 33,235	$ 29,911	$ 25,984
Non-operating income (expense):			
China	$ 885	$ 349	$ 412
Rest of the World (including the U.S. and Hong Kong)	13	10	(19)
Total non-operating income	$ 898	$ 359	$ 393
Income (loss) before provision for income tax:			
China	$ 58,087	$ 53,241	$ 36,042
Rest of the World (including the U.S. and Hong Kong)	(23,954)	(22,971)	(9,665)
Total income before provision for income tax	$ 34,133	$ 30,270	$ 26,377

(1) Operating loss for the Rest of the World segment for the year ended December 31, 2016 includes upfront and milestone payments totaling $ 4.5 million related to the Company's licensing arrangements.

(2) Operating income for the China segment fo r the year ended December 31, 2 0 1 5 includes upfront an d milestone payments totaling $5. 5 million related to the Company's licensing arrangements.

(3) Operating loss for the Rest of the World segment for the year ended December 31, 2015 includes a milestone payment totaling $2.0 million related to the Company's licensing arrangements. Operating loss for the Rest of the World segment also includes $ 10 .8 million of expense that the Company recorded for the year ended December 31, 2 015 associated with the SEC settlement related to the Company's investigations with the SEC and DOJ. Refer to Note 1 5 for further information regarding the SEC and DOJ investigations.

(4) Operating income for the China segment for the year ended December 31, 2014 includes upfront payments totaling $11.0 million related to the Company's licensing arrangements.

Long-lived assets by operating segment are as follows (*in thousands*):

	December 31,	
Long-lived assets:	2016	2015
China	$ 44,603	$ 46,315
Rest of the World (including the U.S. and Hong Kong)	1,562	1,783
Total long-lived assets	$ 46,165	$ 48,098

N ote 18 — Selected Quarterly Financial Data (unaudited)

	Three Months Ended (in thousands, except per share amounts)			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Product sales, net	$ 35,320	$ 37,869	$ 39,457	$ 43,291
Promotion services revenue	1,179	1,122	1,087	771
Cost of product sales	5,813	5,712	5,585	5,788
Net income	7,864	6,338 (1)	10,116 (2)	6,411 (3)
Basic net income per share	$ 0.16	$ 0.13	$ 0.20	$ 0.13
Diluted net income per share	$ 0.15	$ 0.12	$ 0.19	$ 0.12

	Three Months Ended (in thousands, except per share amounts)			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Product sales, net	$ 33,168	$ 37,202	$ 41,986	$ 41,973
Promotion services revenue	400	744	894	890
Cost of product sales	4,597	5,681	6,853	5,217 (5)
Net income	8,962	(4,022) (4)	11,979	12,544 (5)
Basic net income (loss) per share	$ 0.18	$ (0.08)	$ 0.24	$ 0.25
Diluted net income (loss) per share	$ 0.17	$ (0.08)	$ 0.23	$ 0.24

(1) During the three months ended June 30, 2016, the Company recorded upfront payments totaling $2.0 million in research and development expense related to its licensing arrangements.

(2) During the three months ended September 30, 2016, the Company recorded a milestone payment totaling $0.2 million in research and development expense related to its licensing arrangements.

(3) During the three months ended December 31, 2016, the Company recorded milestone payments totaling $2.3 million in research and development expense related to its licensing arrangements.

(4) During the thre e months ended June 30, 2015, the Company recorded upfront payments totaling $5.5 million in research and development expense related to its licensing arrangements. In addition, during the three months ended June 30, 2015, the Company recorded an additional charge of $10.8 million of operating expense , in addition to the $2.0 million charge recorded in the fourth quarter of 2013, to reflect the Company's total SEC settlement expense of $12.8 millio n. Refer to Note 15 for more information on the SEC and DOJ investigations.

(5) During the three months ended December 31, 2015, the Company recorded a milestone payment totaling $2.0 million in research and development expense related to its licensing arrangements, and recorded a $1.1 million and $0.3 million reduction to cost of product sales and general and administrative expense, respectively, related to return of inventory and other items as part of its termination of collaboration with Cardiome. Refer also to Note 14 for more information related to this termination.

Note 19 — Subsequent Event

As of February 24, 2017, NovaMed Shanghai entered into a settlement agreement with MEDA to resolve all outstanding claims of each party under the Distribution and Supply Agreement, including as related to the CIETAC arbitration in which NovaMed Shanghai had been claiming for remuneration of services and for certain reimbursement amounts. Per the terms of the settlement agreement, MEDA shall pay NovaMed Shanghai $83,333 , and NovaMed Shanghai shall withdraw its "Request for Second Arbitration" with CIETAC. As part of the settlement agreement, neither party admitted any liability or wrongdoing. For further information on this matter, refer to Note 15 regarding MEDA .

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. ***Controls and Procedure s***

Evaluation of Disclosure Controls and Procedur es

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our President and Chief Executive Officer ("CEO") and our Senior Vice President and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, management carried out an evaluation under the supervision and with the participation of the CEO and the CFO of the effectiveness of the Company's disclosure controls and procedures in ensuring that material information required to be disclosed in the Company's reports filed or submitted under the Exchange Act, has been made known to them in a timely fashion. Based on this evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures ar e effective as of December 31, 201 6 .

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financia l statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements . A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate .

Under the supervision and with the participation of our management, we assessed the effectiveness of the Company's internal control over financial r eporting as of December 31, 201 6 , based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework* (2013). Based on the results of our assessment, our management concluded that the Company maintained effective internal control over financial r eporting as of December 31, 2016 .

PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial r eporting as of December 31, 201 6 as stated in their report, which is referenced in the index appearing under Item 8.

Changes in Internal Controls

Our management, including our CEO and CFO, has evaluated any changes in our internal control over financial reporting that occurred during the quarter ended December 31 , 201 6 , and has concluded that there was no change during such quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

The Compensation Committee (the "Committee") of the Board of Directors of the Company approved the grant of certain performance-bas ed restricted stock units ("P SUs") effective March 8, 2017 to Dr. Friedhelm Blobel, President and Chief Executive Officer of the Company, Mr. Wilson W. Cheung, Senior Vice President, Finance and Chief Financial Officer of the Company, and Hong Zhao, Chief Executive Officer, China Operations of the Company (each, a "Participant") in the amounts of 75,000, 37,500 an d 37,500, respectively. The P SUs will vest at the close of business on the day of the first meeting of the Committee following December 31, 2017 in which the Committee confirms the achievement of specified geographical expansion and product and organizational capability acquisition goals, provided that the Participant's service with the Company has not terminated prior to the applicable vesting time; provided further that if such Participant's service is terminated by the Compa ny other than for cause, the P SU award shall vest to the same extent as if such Participant's service had not terminated prior t o the applicable vesting time. To avoid duplication of benefits, in the event of any change in control pri or to December 31, 2017, the P SUs would not vest but would be terminated and cancelled in full.

PART III

Certain information required by Part III is incorporated by reference from our definitive Proxy in connection with the soli citation of proxies for our 201 7 Annual Meeting of Stockholders (the "Proxy Statement") or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission ("SEC") , in each case, not later than 120 days after the end of the fiscal year covered by this report, and certain information therein is incorporat ed in this report by reference.

Item 10. ***Directors, Executive Officers, and Corporate Governanc e***

The information required by this item will be included in the Proxy Statement under the caption "Election of Directors – Nominees," "Corporate Governance – Board Meetings and Committees" and "Executive Compensation and Other Matters – Executive Officers" and is incorporated herein by reference.

The information required by this item pursuant to Item 405 of Regulation S-K will be included in the Proxy Statement under the caption "Executive Compensation and Other Matters – Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

Code of Ethics

We have adopted a code of business conduct and ethics, and a policy providing for the reporting of potential violations of the code, for directors, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller) and employees, known as the Corporate Code of Conduct and Ethics (including "Whistleblowing in the case of Violations of the Company Policies ") (the "Code of Conduct"). The Code of Conduct is available on our website at www.sciclone.com under the section "Investor s and Media – Corporate Governance". We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Conduct and by posting such information on the website address and location specified above. Additionally, stockholders may request a free copy of the Code of Conduct by contacting the Investor Relations Department at our corporate offices by calling 800-724-2566 or by sending an e-mail message to investorrelations@sciclone.com.

Item 11. ***Executive Compensation***

The information required by this item will be included in the Proxy Statement under the captions "Executive Compensation and Other Matters" and "Corporate Governance" and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item will be included in the Proxy Statement under the captions "Executive Compensation and Other Matters – Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item will be included in the Proxy Statement under the captions "Executive Compensation and Other Matters – Transactions with Related Persons" and "Corporate Governance – Director Independence" and is incorporated herein by reference.

Item 14. ***Principal Account ant Fees and Services***

The information required by this item will be included in the Prox y Statement under the caption " Appointment of Independent Registered Public Accounting Firm – Principal Accountant Fees" and incorporated herein by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

Item 15 (a). ***The following documents are filed as part of t his Annual Report on Form 10-K:***

(1) *Financial Statements.* The following financial statements of the Company are contai ned in Item 8, Part II on pages 51 - 80 of thi s Annual Report on Form 10-K:

Report of Independent Reg istered Public Accounting Firm.

Consolidated Balance Sheets a s of December 31, 2016 and 201 5 .

Consolidated Statements of Income for each of the three years in the period ended December 31, 2016 .

Consolidated Statements of Comprehensive Income for each of the three years in th e period ended December 31, 201 6 .

Consolidated Statement s of Stockholders' Equity for each of the three years ended De cember 31, 2016 .

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 201 6 .

Notes to Con solidated Financial Statements.

(2) *Financial Statement Schedules* . The following schedule required to be filed by Item 8 of this form and Item 15(d) is contained on page 89 of this Report:

Schedule II – Valuation and Qualifying Accounts for each of the three years in th e period ended December 31, 201 6 .

All other schedules have been omitted because they are either inapplicable or the required information has been given in the consolidated financial s tatements or the notes thereto.

(3) *Exhibits* .

Refer to Item 15(b) below.

Item 15 (b). ***Exhibits.***

Exhibits (numbered in accordance with Item 601 of Regulation S-K):

Exhibit Number	**Description**
3(i).1(1)	Amended and Restated Certificate of Incorporation.
3(i).2(9)	Certificate of Amendment to the Amended and Restated Certificate of Incorporation.
3(i).3 (23)	Certificate of Elimination of the Series D Preferred Stock , as filed by SciClone Pharmaceuticals, Inc .
3(ii).1(23)	Amended and Restated Bylaw s .
10.1(1 2)**	Registrant's 2005 Equity Incentive Plan, effective as of June 7, 2005, as amended on June 25, 2012.

10.2(5)**	Registrant's 2004 Outside Directors Stock Option Plan, as amended on June 7, 2005 and as further amended on February 22, 2007 .
10.3(2)**	Form of Indemnity Agreement by and between the Registrant and each director and executive officer of SciClone Pharmaceuticals, Inc.
10.4(3)*	Manufacturing and Supply Agreement between SciClone Pharmaceuticals International Ltd. and Patheon Italia S.p.A. dated as of November 1, 2002.
10.5(4)**	Employment Agreement between SciClone Pharmaceuticals, Inc. and Friedhelm Blobel, Ph.D. dated as of April 23, 2006 and effective as of June 2, 2006.
10. 6 (6)**	Amendment No. 1 to Employment Agreement between Dr. Friedhelm Blobel and SciClone Pharmaceuticals, Inc. dated April 7, 2009.
10. 7(7)**	The SciClone Pharmaceuticals, Inc. Employee Stock Purchase Plan, as amended.
10. 8 (1 0)**	Description of Executive Incentive Plan.
10. 9 (8)**	Amendment No. 2 to Employment Agreement between Dr. Friedhelm Blobel and SciClone Pharmaceuticals, Inc. effective May 4, 2010.
10.1 0 (1 0)*	Re-Exportation Agreement between SciClone Pharmaceuticals International China Holding Ltd., Sinopharm Holding Hong Kong Co., Limited and Sinopharm Holding Lingyun Biopharmaceutical (Shanghai) Co. Limited effective January 1, 2013.
10.1 1 (1 1)**	Employment Agreement effective April 1, 2013 by and between Hong Zhao and NovaMed Pharmaceuticals (Shanghai) Co. Ltd., an affiliate of SciClone Pharmaceuticals, Inc.
10.1 2 (1 3)**	Employment Agreement effective July 16, 2013 by and between Wilson W. Cheung and SciClone Pharmaceuticals, Inc.
10.1 3 (1 3)*	Framework Agreement effective May 13, 2013 between Zensun (Shanghai) Science & Technology Co., Ltd and SciClone Pharmaceuticals International China Holding Ltd.
10.1 4 (1 3)*	Framework Agreement effective June 25, 2013 between Taiwan Liposome Company and SciClone Pharmaceuticals International China Holding Ltd.
10.1 5 (1 4)**	Employment Agreement effective October 15, 2013 by and between Raymond Low and SciClone Pharmaceuticals, Inc.
10.1 6 (1 5)	Second Amendment, dated December 20, 2013, between SciClone Pharmaceuticals, Inc. and CA-Metro Center Limited Partnership.
10. 1 7 (16)**	Description of Executive Long-Term Incentive Program.
10. 18 (17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Performance Restricted Stock Units (Performance-Based RSUs for U . S . Participant) and Performance Restricted Stock Units Agreement (Performance-Based RSUs for U . S . Participant) dated April 3, 2015 entered into between Friedhelm Blobel and SciClone Pharmaceuticals, Inc.
10. 19(17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Restricted Stock Units (Time-Based RSUs for U.S. Participant) and Restricted Stock Units Agreement (Time-Based RSUs for U.S. Participant) dated April 3, 2015 entered into between Friedhelm Blobel and SciClone Pharmaceuticals, Inc.
10.2 0(17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Performance Restricted Stock Units (Performance-Based RSUs for U.S. Participant) and Performance Restricted Stock Units Agreement (Performance-Based RSUs for U.S. Participant) dated April 3, 2015 entered into between Wilson W. Cheung and SciClone Pharmaceuticals, Inc.
10.2 1(17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Restricted Stock Units (Time-Based RSUs for U.S. Participant) and Restricted Stock Units Agreement (Time-Based RSUs for U.S. Participant) dated April 3, 2015 entered into between Wilson W. Cheung and SciClone Pharmaceuticals, Inc.
10.2 2(17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Performance Restricted Stock Units (Performance-Based RSUs for PRC Participant) and Performance Restricted Stock Units Agreement (Performance-Based RSUs for PRC Participant) dated April 3, 2015 entered into between Hong Zhao and SciClone Pharmaceuticals, Inc.

10.2 3(17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Restricted Stock Units (Time-Based RSUs for PRC Participant) and Restricted Stock Units Agreement (Time-Based RSUs for PRC Participant) dated April 3, 2015 entered into between Hong Zhao and SciClone Pharmaceuticals, Inc.
10.2 4 (18)**	SciClone Pharmaceuticals, Inc. 2015 Equity Incentive Plan.
10.2 5 (19)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Friedhelm Blobel and SciClone Pharmaceuticals, Inc., effective June 16, 2015.
10. 2 6 (19)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Wilson W. Cheung and SciClone Pharmaceuticals, Inc., effective June 16, 2015.
10. 2 7 (19)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Raymond Low and SciClone Pharmaceuticals, Inc., effective June 30, 2015.
10. 28 (2 0)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Lan Xie and SciClone Pharmaceuticals, Inc., effective July 31, 2015.
10.29 (2 0)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Hong Zhao and SciClone Pharmaceuticals, Inc., effective July 31, 2015.
10.3 0 (2 0)**	Form of Stock Option Agreement for 2015 Equity Incentive Plan (U.S. Participant).
10.3 1 (2 0)**	Form of Stock Option Agreement for 2015 Equity Incentive Plan (PRC Participant).
10.3 2 (2 0)**	Form of Restricted Stock Units Agreement for 2015 Equity Incentive Plan (U.S. Participant).
10.3 3 (2 0)**	Form of Restricted Stock Units Agreement for 2015 Equity Incentive Plan (PRC Participant).
10. 34 (2 1)*	Letter Agreement supplementing the 2016 Import Agreement by and between SciClone Pharmaceuticals International China Holding Limited and Sinopharm Holding Lingyun Biopharmaceutical (Shanghai) Co. Limited effective November 12, 2015.
10. 35 (2 1)*	Letter Agreement modifying the Re-Exportation Agreement by and among SciClone Pharmaceuticals International China Holding Limited, Sinopharm Holding Hong Kong International Limited and Sinopharm Holding Lingyun Biopharmaceutical (Shanghai) Co. Limited effective November 13, 2015.
10. 36 (2 1)*	2016 Import and Distribution Agreement between SciClone Pharmaceuticals International China Holding Limited and Sinopharm Holding Lingyun Biopharmaceuticals (Shanghai) Co. Limited effective January 1, 2016.
10. 37 (2 4)*	Manufacturing Services Agreement by and between Lonza Sales Ltd. and SciClone Pharmaceuticals International, Ltd., effective April 30, 2014 (“Manufacturing Services Agreement”).
10.38 (2 4)*	Amendment No. 1 to Manufacturing Services Agreement by and between SciClone Pharmaceuticals International Ltd. and Lonza Sales Ltd as of March 22, 2015.
10.39 (2 4)*	Amendment No. 2 to Manufacturing Services Agreement by and between SciClone Pharmaceuticals International Ltd. and Lonza Sales Ltd as of July 22, 2015.
10.4 0 (2 4)*	Amendment No. 3 to Manufacturing Services Agreement by and between SciClone Pharmaceuticals International Ltd. and Lonza Sales Ltd as of December 5, 2015.
10.4 1 (2 4)*	Amendment No. 4 to Manufacturing Services Agreement by and between SciClone Pharmaceuticals International Ltd. and Lonza Sales Ltd as of May 31, 2016.
10.4 2 (2 5)**	SciClone Pharmaceuticals, Inc. Ret ention Agreement by and between Carey Chern and SciClone Pharm aceuticals, Inc., effective October 24 , 2016.
10.4 3 (2 5)**	Employment Agre ement effective October 2 , 2016 by and between Carey Chern and SciClone Pharmaceuticals, Inc.
10. 44 (2 2) **	SciClone Pharmaceuticals, Inc. 2016 Employee Stock Purchase Plan.
14	See “Code of Ethics” in Item 10: Executive Officers and Directors, of this Annual Report on Form 10-K.
21.1(2 5)	Subsidiaries of Registrant.
23.1 (2 5)	Consent of Independent Registered Public Accounting Firm.
24.1(2 5)	Power of Attorney. See page 88 .
31.1(2 5)	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2(2 5)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(26)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2(26)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101(2 5)	The following materials from Registrant's Annual Report on Form 10-K for the year ended December 31, 201 6 , formatted in Extensible Business Reporting Language (XBRL) includes: (i) Consolidated Balance Sheets as of December 31, 201 6 and 201 5 (ii) Consolidated Statements of Income for the years ended December 31, 201 6, 2015 , and 201 4 , (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 201 6 , 201 5 , and 201 4 , (iv) Consolidated Statements of Shareholders' Equity for the years ended December 31, 201 6 , 201 5 and 201 4 , (v) Consolidated Statements of Cash Flows for the years ended December 201 6 , 201 5 and 201 4 and (vi) Notes to the Consolidated Financial Statements.

*	Certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under 17 C.F.R. Sections 200.80(b)(4), 200.83 and 230.46.
**	Management compensatory plan or arrangement.
(1)	Incorporated by reference from the Company's Current Report on Form 8-K filed on July 28, 2003.
(2)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003, filed on October 31, 2003.
(3)	Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 15, 2004.
(4)	Incorporated by reference from the Company's Current Report on Form 8-K filed on April 25, 2006.
(5)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007, filed on August 8, 2007.
(6)	Incorporated by reference from the Company's Current Report on Form 8-K filed on April 8, 2009.
(7)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, filed on August 9, 2010.
(8)	Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 31, 2011.
(9)	Incorporated by reference from the Company's Current Report on Form 8-K filed on July 6, 2011.
(1 0)	Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed on April 1, 2013.
(1 1)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed on August 9, 2013.
(1 2)	Incorporated by reference from the Company's Current Report on Form 8-K filed on June 13, 2012.
(1 3)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013, filed on August 9, 2013.
(1 4)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2013, filed on November 12, 2013.
(1 5)	Incorporated by reference from the Company's Current Report on Form 8-K filed on January 2, 2014.
(16)	Incorporated by reference from the Company's Current Report on Form 8-K filed on April 6, 2015.
(17)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2015, filed on May 11, 2015.
(18)	Incorporated by reference from the Company's Current Report on Form 8-K filed on June 17, 2015.
(19)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2015, filed on August 10, 2015.

(2 0)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015, filed on November 9, 2015.
(2 1)	Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2015 , filed on M arch 11, 2016 .
(2 2)	Incorporated by reference from the Company's De fini tive Proxy Statement, filed on April 29, 2016.
(23)	Incorporated by reference from the Company's Current Report on Form 8-K filed on February 28, 2017.
(24)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q/A for the period ended June 30, 2016, filed on March 3 , 2017 .
(2 5)	Filed herewith.
(26)	Furnished herewith.

Item 15 (c). See Item 15(a) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersign ed, thereunto duly authorized.

SCICLONE PHARMACEUTICALS, INC.

Date: March 9 , 201 7 /s/ Wilson W. Cheung

Wilson W. Cheung
Senior Vice President, Finance and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Friedhelm Blobel, Ph.D. and Wilson W. Cheung , and each of them, his attorneys-in-fact and agents, each with the power of substitution and resubstitution, for him in any and all capacities, to sign any amendment to this Report on Form 10-K, and to file the same , with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary, to be done in connection therewith, as fully as to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ FRIEDHELM BLOBEL, PH.D. **(Friedhelm Blobel, Ph.D.)**	President and Chief Executive Officer, Director (Principal Executive Officer)	March 9 , 201 7
/S/ WILSON W. CHEUNG **(Wilson W. Cheung)**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 9 , 201 7
/S/ JON S. SAXE **(Jon S. Saxe)**	Chairman of the Board of Directors	March 9 , 201 7
/S/ NANCY T. CHANG, PH.D. **(Nancy T. Chang, Ph.D.)**	Director	March 9 , 201 7
/S/ RICHARD J. HAWKINS **(Richard J. Hawkins)**	Director	March 9 , 2017
/S/ GREGG A LAPOINTE **(Gregg A. Lapointe)**	Director	March 9, 201 7
/S/ SIMON LI **(Simon Li)**	Director	March 9 , 201 7

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

SCICLONE PHARMACEUTICALS, INC.

Receivables and Product Returns Reserves (*in thousands*):

	Balance at Beginning of Period	Charges for Amounts Reserved	Deductions for Amounts Recovered [1]	Deductions for Amounts Written Off	Balance at End of Period
Receivables Reserve:					
Year Ended December 31, 2016	$ (594)	$ —	$ 500	$ 94	$ —
Year Ended December 31, 2015	$ (998)	$ (541)	$ 400	$ 545	$ (594)
Year Ended December 31, 2014	$ (3,587)	$ —	$ 1,500	$ 1,089	$ (998)

	Balance at Beginning of Period	Charges for Amounts Reserved	Deductions for Amounts Recovered	Deductions for Amounts Paid	Balance at End of Period
Reserve for Product Returns:					
Year Ended December 31, 2016	$ (134)	$ (155)	$ —	$ —	$ (289)
Year Ended December 31, 2015	$ (66)	$ (134)	$ —	$ 66	$ (134)
Year Ended December 31, 2014	$ —	$ (66)	$ —	$ —	$ (66)

(1) Recorded as a gain to general and administrative expense.

INDEX TO EXHIBITS

Exhibit Number	Description
3(i).1(1)	Amended and Restated Certificate of Incorporation.
3(i).2(9)	Certificate of Amendment to the Amended and Restated Certificate of Incorporation.
3(i).3(2 3)	Certificate of Elimination of the Series D Preferred Stock , as fi led by SciClone Pharmaceuticals. Inc.
3(ii). 1(23)	Amended and Restated Bylaws.
10.1(1 2)**	Registrant's 2005 Equity Incentive Plan, effective as of June 7, 2005, as amended on June 25, 2012.
10.2(5)**	Registrant's 2004 Outside Directors Stock Option Plan, as amended on June 7, 2005 and as further amended on February 22, 2007 .
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10.5(4)**	Employment Agreement between SciClone Pharmaceuticals, Inc. and Friedhelm Blobel, Ph.D. dated as of April 23, 2006 and effective as of June 2, 2006.
10.6 (6)**	Amendment No. 1 to Employment Agreement between Dr. Friedhelm Blobel and SciClone Pharmaceuticals, Inc. dated April 7, 2009.
10.7(7)**	The SciClone Pharmaceuticals, Inc. Employee Stock Purchase Plan, as amended.
10.8 (1 0)**	Description of Executive Incentive Plan.
10.9 (8)**	Amendment No. 2 to Employment Agreement between Dr. Friedhelm Blobel and SciClone Pharmaceuticals, Inc. effective May 4, 2010.
10.10 (1 0)*	Re-Exportation Agreement between SciClone Pharmaceuticals International China Holding Ltd., Sinopharm Holding Hong Kong Co., Limited and Sinopharm Holding Lingyun Biopharmaceutical (Shanghai) Co. Limited effective January 1, 2013.
10.11 (1 1)**	Employment Agreement effective April 1, 2013 by and between Hong Zhao and NovaMed Pharmaceuticals (Shanghai) Co. Ltd., an affiliate of SciClone Pharmaceuticals, Inc.
10.1 2 (1 3)**	Employment Agreement effective July 16, 2013 by and between Wilson W. Cheung and SciClone Pharmaceuticals, Inc.
10.1 3 (1 3)*	Framework Agreement effective May 13, 2013 between Zensun (Shanghai) Science & Technology Co., Ltd and SciClone Pharmaceuticals International China Holding Ltd.
10.1 4 (1 3)*	Framework Agreement effective June 25, 2013 between Taiwan Liposome Company and SciClone Pharmaceuticals International China Holding Ltd.
10.1 5 (1 4)**	Employment Agreement effective October 15, 2013 by and between Raymond Low and SciClone Pharmaceuticals, Inc.
10.1 6 (1 5)	Second Amendment, dated December 20, 2013, between SciClone Pharmaceuticals, Inc. and CA-Metro Center Limited Partnership.
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10.18(17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Performance Restricted Stock Units (Performance-Based RSUs for U.S. Participant) and Performance Restricted Stock Units Agreement (Performance-Based RSUs for U.S. Participant) dated April 3, 2015 entered into between Friedhelm Blobel and SciClone Pharmaceuticals, Inc.
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10.2 1(17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Restricted Stock Units (Time-Based RSUs for U . S . Participant) and Restricted Stock Units Agreement (Time-Based RSUs for U.S. Participant) dated April 3, 2015 entered into between Wilson W. Cheung and SciClone Pharmaceuticals, Inc.
10.2 2(17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Performance Restricted Stock Units (Performance-Based RSUs for PRC Participant) and Performance Restricted Stock Units Agreement (Performance-Based RSUs for PRC Participant) dated April 3, 2015 entered into between Hong Zhao and SciClone Pharmaceuticals, Inc.
10.2 3(17)**	Form of SciClone Pharmaceuticals, Inc. Notice of Grant of Restricted Stock Units (Time-Based RSUs for PRC Participant) and Restricted Stock Units Agreement (Time-Based RSUs for PRC Participant) dated April 3, 2015 entered into between Hong Zhao and SciClone Pharmaceuticals, Inc.
10.2 4 (18)**	SciClone Pharmaceuticals, Inc. 2015 Equity Incentive Plan.
10.2 5 (19)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Friedhelm Blobel and SciClone Pharmaceuticals, Inc., effective June 16, 2015.
10. 26 (19)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Wilson W. Cheung and SciClone Pharmaceuticals, Inc., effective June 16, 2015.
10. 27 (19)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Raymond Low and SciClone Pharmaceuticals, Inc., effective June 30, 2015.
10.28 (2 0)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Lan Xie and SciClone Pharmaceuticals, Inc., effective July 31, 2015.
10.29 (2 0)**	SciClone Pharmaceuticals, Inc. Retention Agreement by and between Hong Zhao and SciClone Pharmaceuticals, Inc., effective July 31, 2015.
10.3 0 (2 0)**	Form of Stock Option Agreement for 2015 Equity Incentive Plan (U.S. Participant).
10.3 1 (2 0)**	Form of Stock Option Agreement for 2015 Equity Incentive Plan (PRC Participant).
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10. 35 (2 1)*	Letter Agreement modifying the Re-Exportation Agreement by and among SciClone Pharmaceuticals International China Holding Limited, Sinopharm Holding Hong Kong International Limited and Sinopharm Holding Lingyun Biopharmaceutical (Shanghai) Co. Limited effective November 13, 2015.
10. 36 (2 1)*	2016 Import and Distribution Agreement between SciClone Pharmaceuticals International China Holding Limited and Sinopharm Holding Lingyun Biopharmaceuticals (Shanghai) Co. Limited effective January 1, 2016.
10. 37 (2 4)*	Manufacturing Services Agreement by and between Lonza Sales Ltd. and SciClone Pharmaceuticals International, Ltd., effective April 30, 2014 (“Manufacturing Services Agreement”).
10.38 (2 4)*	Amendment No. 1 to Manufacturing Services Agreement by and between SciClone Pharmaceuticals International Ltd. and Lonza Sales Ltd as of March 22, 2015.
10.39 (2 4)*	Amendment No. 2 to Manufacturing Services Agreement by and between SciClone Pharmaceuticals International Ltd. and Lonza Sales Ltd as of July 22, 2015.
10.4 0 (2 4)*	Amendment No. 3 to Manufacturing Services Agreement by and between SciClone Pharmaceuticals International Ltd. and Lonza Sales Ltd as of December 5, 2015.
10.4 1 (2 4)*	Amendment No. 4 to Manufacturing Services Agreement by and between SciClone Pharmaceuticals International Ltd. and Lonza Sales Ltd as of May 31, 2016.

10.4 2 (2 5)**	SciClone Pharmaceuticals, Inc. Ret ention Agreement by and between Carey Chern and SciClone Pharm aceuticals, Inc., effective October 24 , 2016.
10.4 3 (2 5)**	Employment Agre ement effective October 2 , 2016 by and between Carey Chern and SciClone Pharmaceuticals, Inc.
10. 44 (2 2) **	SciClone Pharmaceuticals, Inc. 2016 Employee Stock Purchase Plan.
14	See “Code of Ethics” in Item 10: Executive Officers and Directors, of this Annual Report on Form 10-K.
21.1(25)	Subsidiaries of Registrant.
23.1 (25)	Consent of Independent Registered Public Accounting Firm.
24.1(25)	Power of Attorney. See page 88 .
31.1(2 5)	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2(2 5)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(26)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2(26)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101(2 5)	The following materials from Registrant’s Annual Report on Form 10-K for the year ended December 31, 2016 , formatted in Extensible Business Reporting Language (XBRL) includes: (i) Consolidated Balanc e Sheets as of December 31, 2016 and 2015 (ii) Consolidated Statements of Income for t he years ended December 31, 2016 , 20 15, and 2014 , (iii) Consolidated Statements of Comprehensive Income for t he years ended December 31, 2016, 2015, and 2014 , (iv) Consolidated Statements of Shareholders’ Equity for t he years ended December 31, 2016, 2015 and 2014 , (v) Consolidated Statements of Cash Flows f or the years ended December 2016, 2015 and 2014 and (vi) Notes to the Consolidated Financial Statements.

*	Certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under 17 C.F.R. Sections 200.80(b)(4), 200.83 and 230.46.
**	Management compensatory plan or arrangement.
(1)	Incorporated by reference from the Company’s Current Report on Form 8-K filed on July 28, 2003.
(2)	Incorporated by reference from the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003, filed on October 31, 2003.
(3)	Incorporated by reference from the Company’s Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 15, 2004.
(4)	Incorporated by reference from the Company’s Current Report on Form 8-K filed on April 25, 2006.
(5)	Incorporated by reference from the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007, filed on August 8, 2007.
(6)	Incorporated by reference from the Company’s Current Report on Form 8-K filed on April 8, 2009.
(7)	Incorporated by reference from the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, filed on August 9, 2010.
(8)	Incorporated by reference from the Company’s Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 31, 2011.
(9)	Incorporated by reference from the Company’s Current Report on Form 8-K filed on July 6, 2011.
(1 0)	Incorporated by reference from the Company’s Annual Report on Form 10-K for the year ended December 31, 2012, filed on April 1, 2013.
(1 1)	Incorporated by reference from the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed on August 9, 2013.
(1 2)	Incorporated by reference from the Company’s Current Report on Form 8-K filed on June 13, 2012.

(1 3)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013, filed on August 9, 2013.
(1 4)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2013, filed on November 12, 2013.
(1 5)	Incorporated by reference from the Company's Current Report on Form 8-K filed on January 2, 2014.
(16)	Incorporated by reference from the Company's Current Report on Form 8-K filed on April 6, 2015.
(17)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2015, filed on May 11, 2015.
(18)	Incorporated by reference from the Company's Current Report on Form 8-K filed on June 17, 2015.
(19)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2015, filed on August 10, 2015.
(2 0)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015, filed on November 9, 2015.
(2 1)	Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2015 , filed on M arch 11, 2016 .
(2 2)	Incorporated by reference from the Company's De fini tive Proxy Statement, filed on April 29, 2016.
(23)	Incorporated by reference from the Company's Current Report on Form 8-K filed on February 28, 2017.
(24)	Incorporated by reference from the Company's Quarterly Report on Form 10-Q/A for the period ended June 30, 2016, filed on March 3 , 2017 .
(2 5)	Filed herewith.
(26)	Furnished herewith.

SCICLONE PHARMACEUTICALS, INC.
EMPLOYEE RETENTION AGREEMENT

This **Employee Retention A greement** (the *" **Agreement** "*) is effective as of the October 24, 2016 by and between Name (*" **Employee** "*) and SciClone Pharmaceuticals, Inc., a Delaware corporation (the *" **Company** "*). For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets, or any subsidiary of the Company or its successor.

RECITALS

A. Employee presently serves as General Counsel of the Company and performs significant strategic and management responsibilities necessary to the continued conduct of the Company's business and operations.

B. The Board of Directors of the Company (the *" **Board** "*) through its Compensation Committee has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of Employee .

C. The Board believes that it is imperative to provide Employee with certain severance benefits upon Employee 's termination of employment under circumstances described in this Agreement that will provide Employee with enhanced financial security and provide sufficient incentive and encouragement to Employee to remain with the Company.

AGREEMENT

Employee and the Company agree as set forth below:

1. Terms of Employment . The Company and Employee agree that Employee 's employment is "at will" and that their employment relationship may be terminated by either party at any time, with or without cause, and, if applicable, in accordance with Section 2 or Section 4 below. If Employee 's employment with the Company terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement. During his or her employment with the Company, Employee agrees to devote his or her full business time, energy and skill to his or her duties with the Company. These duties shall include, but not be limited to, any duties consistent with Employee 's position that may be assigned to Employee from time to time by the Company or the Board.

2. Termination Other than During Change in Control Period.

(a) Termination without Cause . Subject to the lim itations set forth in Sections 5 and 6 , if Employee 's employment with the Company is terminated without Cause other than during a Change in Control Period , then Employee shall be entitled to receive, in addition to the compensation and benefits earned by Employee through the date of his or her termination (" ***Accrued Compensation*** ") , severance benefits as follows:

(i) Base Salary Continuation Benefit. Continuation of Employee's base salary in effect on Employee's t ermination date for a period of 12 (months) months following such t ermination d ate , with such base s alary to be paid in installments on the Company's regular payroll dates beginning on the earlier of (A) the first regular payroll date following the date on which the Release (as defined in Section 5) becomes effective and (B) the seventy- fourth (74 th) day following Employee's t ermination date ; provided that if such seventy-four (74) day period spans two calendar years, the installment payments shall begin in the second such calendar year. The initial payment of continued b ase s alary will include a catch-up payment consisting of the installments that otherwise would have been paid on the regular payroll dates occurring between Employee's t ermination date and such initial payment date.

(ii) Separation Bonus Benefit . A separation bonus equal to the gross amount of fifty percent (50 %) of the average of Employee 's annual performance bonus earned for the two (2) most recent fiscal years for which bonuses have been earned prior to the termination date shall be pa id in a lump sum on the date on which the initial installment of base salary con tinuation described in clause (i) above is paid. If the termination date is prior to the date of: (x) the Employee's first fiscal year of service and Employee's earned annual performance bonus for such first year has not yet been determined, then the target bonus will be used as reference from the date of hire ; or (y) the Employee's second fiscal year of service where Employee's earned annual performance bonus for such second year has not yet been determined but the annual performance bonus for the first year has been determined, then the actual bonus amount earned for the first year and the target bonus amount for the second year will be used as a reference.

(iii) Share-Based Compensation Awards . T he treatment of share-based compensation awards upon Employee's termination of Employment covered by this Section (a) shall be determined in accordance with the terms of the plans or agreements providing for such awards.

(iv) Healthcare Benefit . T he Company shall, if permitted under the Company's existing health insurance plans, continue Employee 's existing group health insurance coverage. If not so permitted, the Company shall reimburse Employee for any COBRA premiums paid by Employee for continued group health insurance coverage. Such health insurance coverage or reimbursement of COBRA premiums shall continue until the earlier of (A) twelve (12) months after the date of Employee 's t ermination of employment or (B) the date on which Employee commences New Employment (in either case, the " ***COBRA Period*** ") . Notwithstanding the foregoing, if the Company determines, in its sole discretion, that its reimbursement of the COBRA premiums would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Internal Revenue Code of 1986, as amended (the " ***Code*** ") or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of reimbursing the COBRA premiums, the Company shall instead pay to Employee on the first day of each month of the COBRA Period, a fully taxable cash payment equal to the COBRA premiums for that month, subject to applicable tax withholdings (such amount, the " ***Special Severance Payment*** "), for the remainder of the COBRA Period. Employee may, but is not obligated to, use such Special Severance Payment toward the cost of COBRA premiums.

(b) Voluntary Resignation; Termination For Cause . If Employee's employment terminates by reason of Employee's voluntary resignation (but not as a result of termination by the Company without Cause) or as a result of Employee's termination by the Company for Cause, then Employee shall be entitled only to Employee's Accrued Compensation and shall not be entitled to receive any severance benefits under this Agreement .

(c) Disability; Death . If the Company terminates Employee's employment as a result of Employee's Disability or death, then Employee shall be entitled only to Employee's Accrued Compensation and shall not be entitled to receive any severance benefits under this Agreement .

3. Treatment of Equity Awards Upon a Change in Control .

(a) Effect of Non-Assumption . Except as provided by Section 3(b) below, notwithstanding any provision to the contrary contained in any plan or agreement evidencing a share-based compensation award with respect to Company common stock held by Employee (an " ***Equity Award*** "), in the event of a Change in Control in which the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the " ***Acquiror*** "), does not assume or continue the Company's rights and obligations under a then-outstanding Equity Award or substitute for such Equity Award a substantially equivalent share-based compensation award with respect to the Acquiror's capital stock, then the vesting, exercisability and settlement (as applicable) of such Equity Award shall be accelerated in full effective immediately prior to, but conditioned upon, the consummation of the Change in Control. For purposes of this Section, an Equity Award shall be deemed assumed if, following the Change in Control, the Equity Award confers the right of Employee to receive, subject to the terms and conditions of the applicable Company equity incentive plan and award agreement evidencing such Equity Award, for each share of Company common stock subject to the Equity Award immediately prior to the Change in Control, the consideration (whether shares, cash, other securities or property or a combination thereof) to which a holder of a share of Company common stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Company common stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Compensation Committee of the Board may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Equity Award, for each share subject to the Equity Award, to consist solely of common stock of the Acquiror equal in fair market value to the per share consideration received by holders of Company common stock pursuant to the Change in Control.

(b) Other Share-Based Compensation Awards . Notwithstanding Section 3(a) or anything else in this Agreement to the contrary, the treatment of an Equity Award upon the consummation of a Change in Control, including but not limited to the acceleration thereof, shall be determined in accordance with the terms of the applicable Company equity incentive plan and award agreement evidencing such Equity Award if their terms provide treatment that is more favorable to Employee than the treatment provided by this Agreement .

4. Termination During Change in Control Period .

(a) Involuntary Termination . Subject to the limitations set forth in Sections 5 and 6 , if Employee's employment with the Company terminates as a result of Involuntary Termination during a Change in Control Period, then Employee shall be entitled to receive, in addition to Employee's Accrued C ompensation, severance benefits as follows:

(i) Base Salary Benefit. A n amount equal to one hundred percent (100 %) of Employee's annual base salary as in effect at the time of such termination (without giving effect to any reduction in base salary that would constitute Constructive Termination) shall be paid to Employee in a lump sum on the earlier of (A) the Company's first regular payroll date following the date on which the Release (as defined in Section 5) becomes effective and (B) the seventy-fourth (74 th) day following Employee's t ermination date; provided that if such seventy-four (74) day period spans two calendar years, the payment shall be made in the second such calendar year ; and provided further , however, that if the Change in Control does not constitute a " change in control event" as defined by Treasury Regulation Section 1.409A-3(i)(5) or any successor thereto , then the severance amount required by this clause (i) shall be divided into installments and paid at the times and in the manner such installments would be paid in accordance with Section 2(a)(i) .

(ii) Separation Bonus Benefit . A separation bonus equal to the gross amount of 50 percent (50 %) of the average of Employee 's annual performance bonus earned for the two (2) most recent fiscal years for which bonuses have been earned prior to the termination date shall be paid at the same time(s) and in the same manner as the severance benefit described in clause (i) above is paid . If the termination date is prior to the date of: (x) the Employee's first fiscal year of service and Employee's earned annual performance bonus for such first year has not yet been determined, then the target bonus will be used as reference from the date of hire; or (y) the Employee's second fiscal year of service where Employee's earned annual performance bonus for such second year has not yet been determined but the annual performance bonus for the first year has been determined, then the actual bonus amount earned for the first year and the target bonus amount for the second year will be used as a reference.

(iii) Share-Based Compensation Awards . All O ptions and other share-based compensation awards (but excluding O ptions and other share-based compensation awards subject to performance-based vesting , whether or not also subject to service-based vesting) held by Employee shall become vested in full as of Employee's termination date , and such Options shall remain exercisable until the earlier of twelve (12) months following Employee's termination date or the expiration of their term .

(iv) Healthcare Benefit . T he Company shall, if permitted under the Company's existing health insurance plans, continue Employee 's existing group health insurance coverage. If not so permitted, the Company shall reimburse Employee for any COBRA premiums paid by Employee for continued group health insurance coverage. Such health insurance coverage or reimbursement of COBRA premiums shall continue until the earlier of (A) the date twelve (12) months after the date of Employee 's t ermination of employment or (B) the date on which Employee commences New Employment. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that its reimbursement of the COBRA

premiums would result in a violation described in Section 2(a)(iii) , the Company shall pay to Employee the Special Severance Payment described in Section 2(a)(iii) .

(b) Voluntary Resignation; Termination For Cause . If Employee 's employment terminates during the Change in Control Period by reason of Employee 's voluntary resignation (but not as a result of an Involuntary Termination) or as a result of Employee 's termination by the Company for Cause , then Employee shall be entitled only to Employee's Accrued Compensation and shall not be entitled to receive any severance benefits under this Agreement .

(c) Disability; Death . If the Company terminates Employee 's employment as a result of Employee 's Disability or death, then Employee shall be entitled only to Employee's Accrued Compensation and shall not be entitled to receive any severance benefits under this Agreement.

5. Release of Claims; Resignation . Employee 's entitlement to any severance pay or benefits under this Agreement is conditioned upon Employee 's execution and delivery to the Company of (a) a general release of known and unknown claims substantially in the form attached hereto as Exhibit A which becomes effective in accordance with its terms on or before the sixtieth (60th) day following Employee's termination date and (b) resignation from all of Employee 's positions with the Company , including from the Board of Directors and any committees thereof on which Employee serves, in a form satisfactory to the Company.

6. Certain Tax Matters .

(a) Parachute Payments . In the event that any payment or benefit received or to be received by Employee pursuant to this Agreement or otherwise (collectively, the *" **Payments** "*) would result in a "para chute payment" as described in S ection 280G of the Code, then notwithstanding the other provisions of this Agreement the amount of such Payments will not exceed the amount which produces the greatest after-tax benefit to Employee . For purposes of the foregoing, the greatest after-tax benefit will be determined within thirty (30) days of the occurrence of such payment to Employee , in Employee 's sole and absolute discretion. If no such determination is made by Employee within thirty (30) days of the occurrence of such payment, the Company will promptly make such determination in a fair and equitable manner.

(b) Section 409A . The Company and Employee intend that this Agreement (and all payments and other benefits provided under this Agreement) be exempt from the requirements of Section 409A of the Code and the regulations and ruling issued thereunder (collectively " ***Section 409A*** "), to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the involuntary separation pay plan exception described in Treasury Regulation Section 1.409A-1(b)(9)(iii), or otherwise. To the extent Section 409A is applicable to such payments, the Company and Employee intend that this Agreement (and such payments and benefits) comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall be interpreted, operated and administered in a manner consistent with such intentions. Without

limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement to the contrary:

(i) No amount payable pursuant to this Agreement on account of Employee 's termination of employment with the Company which constitutes a "deferral of compensation" within the meaning of Section 409A shall be paid unless and until Employee has incurred a "separation from service" within the meaning of Section 409A. Furthermore, to the extent that Employee is a "specified employee" within the meaning of Section 409A (determined using the identification methodology selected by Company from time to time, or if none, the default methodology) as of the date of Employee 's separation from service, no amount that constitutes a deferral of compensation which is payable on account of Employee 's separation from service shall paid to Employee before the date (the " ***Delayed Payment Date*** ") which is first day of the seventh month after the date of Employee 's separation from service or, if earlier, the date of Employee 's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid in a lump sum on the Delayed Payment Date. Thereafter, any payments that remain outstanding as of the day immediately following the Delayed Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement.

(ii) T he Company and Employee intend that any right of Employee to receive installment payments hereunder shall, for all purposes of Section 409A, be treated as a right to a series of separate payments.

(iii) Neither the Company nor Employee shall have the right to accelerate or defer any payment or benefit under this Agreement except to the extent specifically permitted or required by Section 409A .

(iv) Whenever a payment under this Agreement specifies a payment period with refer ence to a number of days (e.g. " payment shall be made within thirty (30) days fo llowing the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

(v) With regard to any provision in this Agreement that provides for reimbursement of expenses or in-kind benefits, except for any expense, reimbursement or in-kind benefit provided pursuant to this Agreement that does not constitute a "deferral of compensation," within the meaning of Section 409A, (A) the right to reimbursement or in-kind benefits shall not be subject to liquidation or e xchange for another benefit, (B) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (B) shall not be deemed to be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect, and (C) such payments shall be made on or before the last day of Employee 's taxable year following the taxable year in which the expense occurred.

(vi) The Company intends that income provided to Employee pursuant to this Agreement will not be subject to taxation under Section 409A. However, the Company

does not guarantee any particular tax effect for income provided to Employee pursuant to this Agreement. In any event, except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Employee , the Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to Employee pursuant to this Agreement.

(c) Tax Withholding . The Company may withhold from any amounts payable under this Agreement such taxes or other amounts as shall be required to be withheld pursuant to applicable law or regulation.

7. Consulting Services . During the six (6) months following any termination of Employee's employment described in Section 2(a) or Section 4(a) , Employee shall be retained by the Company as an independent contractor to provide consulting services to the Company at its request for up to (but no more than) eight (8) hours per week. These services shall include any reasonable requests for information or assistance by the Company, including, but not limited to, the transition of Employee 's duties. Such services shall be provided at mutually convenient times. For the actual provision of such services, the Company shall pay to Employee a consulting fee of $1,000 per eight hour day, pro-rated for the number of hours of service , plus reasonable out-of-pocket expenses (for example, travel and lodging).

8. Definition of Terms . The following terms referred to in this Agreement shall have the following meanings:

(a) *" **Cause** "* mean s any of the following:

(i) Employee 's theft, dishonesty, misconduct or falsification of any records of the Company;

(ii) Employee 's misappropriation or improper disclosure of confidential or proprietary information of the Company ;

(iii) any intentional action by Employee which has a material detrimental effect on the reputation or business of the Company ;

(iv) Employee 's failure or inability to perform any reasonable assigned duties after written notice from the Company of, and a reasonable opportunity to cure, such failure or inability;

(v) any material breach by Employee of any employment agreement between Employee and the Company , which breach is not cured pursuant to the terms of such agreement; or

(vi) Employee 's conviction of any criminal act which impairs Employee 's ability to perform his or her duties for the Company .

(b) *" **Change in Control** "* mean s any of the following: (i) a merger or other transaction in which the Company or substantially all of its assets is sold or merged and as a result of such transaction, the holders of the Company's common stock prior to such transaction

do not own or control a majority of the outstanding shares of the successor corporation, (ii) the election of nominees constituting a majority of the Board which nominees were not approved by a majority of the Board p rior to such election, or (iii) the acquisition by a third party of twenty percent (20%) or more of the Company's outstanding shares which acquisition was without the approval of a majority of the Board in office prior to such acquisition .

(c) " ***Change in Control Period*** " mean s the period commencing upon the consummation of a Change in Control and ending on the first anniversary of such Change in Control.

(d) " ***COBRA*** " means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended .

(e) *" **Constructive Termination** "* mean s any one or more of the following conditions :

(i) without Employee 's express written consent, the assignment to Employee , following a Change in Control, of any title or duties, or any limitation of Employee 's responsibilities, that are substantially and adversely inconsistent with Employee 's title(s), duties, or responsibilities with the Company immediately prior to the date of the Change in Control;

(ii) without Employee 's express written consent, the relocation of the principal place of Employee 's employment, following Change in Control, to a location that is more than fifty (50) miles from Employee 's principal place of employment immediately prior to the date of the Change in Control, or the imposition of travel requirements substantially more demanding of Employee than such travel requirements existing immediately prior to the date of the Change in Control;

(iii) any failure by the Company , following a Change in Control, to pay, or any material reduction by the Company of, (A) Employee 's base salary in effect immediately prior to the date of the Change in Control, or (B) Employee 's bonus compensation, if any, in effect immediately prior to the date of the Change in Control (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned by Employee), unless base salary and/or bonus reductions comparable in amount and duration are concurrently made for a majority of the other employees of the Company who have substantially similar titles and responsibilities as Employee ; and

(iv) any failure by the Company , following a Change in Control, to (A) continue to provide Employee with the opportunity to participate, on terms no less favorable than those in effect for the benefit of any employee group which customarily includes a person holding the employment position or a comparable position with the Company then held by Employee , in any benefit or compensation plans and programs, including, but not limited to, the Company 's life, disability, health, dental, medical, savings, profit sharing, stock purchase and retirement plans, if any, in which Employee was participating immediately prior to the date of the Change in Control, or in substantially similar plans or programs, or (B) provide Employee with all other fringe benefits (or substantially similar benefits), including, but not limited to, relocation benefits, provided to any employee group which customarily includes a person

holding the employment position or a comparable position with the Company then held by Employee , which Employee was receiving immediately prior to the date of the Change in Control.

However, the occurrence of the foregoing conditions shall not constitute a Constructive Termination unless (A) Employee has given written notice of the occurrence of any such condition(s) to the Chairman of the Board within sixty (60) days following the date on which Employee know s , or with the exercise of reasonable diligence would know, of the occurrence of any of such conditions , (B) the Company fails to cure the condition(s) constituting Constructive Termination within twenty (20) days after receipt of such written notice thereof, and (C) Employee terminate s employment with the Company within thirty (30) days following expiration of such cure period.

(f) *" **Disability** "* means the inability of Employee , in the opinion of a qualified physician, to perform the essential functions of Employee 's position with the Company , with or without reasonable accommodation, because of the sickness or injury of Employee .

(g) *" **Involuntary Termination** "* mean s the occurrence of either of the following events during a Change in Control Period :

(i) termination by the Company of Employee 's employment without Cause; or

(ii) Employee 's Constructive Termination.

"Involuntary Termination" shall not include any termination of Employee 's employment that is (1) for Cause, (2) a result of Employee 's death or Disability, or (3) a result of Employee 's voluntary resignation.

(h) *" **New Employment** "* mean s any employment obtained by Employee after the termination of Employee 's employment with the Company.

9. Nonsolicitation . During his or her employment with the Company, and for a period of one (1) year following the termination of his or her employment for any reason, Employee shall not directly or indirectly recruit, solicit, or induce any person who on the date hereof is, or who subsequently becomes, an employee, sales representative or consultant of the Company , to terminate his or her relationship with the Company .

10. Successors .

(a) Company's Successors . Any successor to the Company or to all or substantially all of the Company's business and/or assets shall be bound by this Agreement in the same manner and to the same extent as the Company.

(b) Employee's Successors . All rights of Employee hereunder shall inure to the benefit of, and be enforceable by, Employee 's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. Employee shall have no right to assign any of his obligations or duties under this Agreement to any other person or entity.

11. Notice .

(a) General . Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of Employee , mailed notices shall be addressed to Employee at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Notice of Termination . Any termination by the Company or Employee of their employment relationship shall be communicated by a written notice of termination to the other party.

12. Miscellaneous Provisions .

(a) No Duty to Mitigate . Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking New Employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) Waiver . No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Choice of Law . The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(d) Severability . The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(e) Arbitration . In the event of any dispute or claim relating to or arising out of Employee 's employment relationship with the Company, this Agreement, or the termination of Employee 's employment with the Company for any reason (including, but not limited to, any claims of breach of contract, wrongful termination, fraud or age, race, sex, national origin, disability or other discrimination or harassment), Employee and the Company agree that all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in San Mateo County, California. Judgment upon any decision or award rendered by the arbitrator may be entered in any court having jurisdiction over the matter. Employee and the Company knowingly and willingly waive their respective rights to have any such disputes or claims tried to a judge or jury.

(f) Prior Agreements . Subject to Section 3(b) hereof, t his Agreement supersedes all prior understandings and agreements, whether written or oral, regarding the subject matter of this Agreement.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

SCICLONE PHARMACEUTICALS, INC.

By: /s/ Friedhelm Blobel

EMPLOYEE

/s/ Carey Chern

CAREY CHERN

Exhibit A

RELEASE

In exchange for the severance pay and benefits described in Employee Retention Agreement between SciClone Pharmaceuticals, Inc. (the " ***Company*** ") and me effective as of [•] , I hereby release the Company, its parents and subsidiaries, and their officers, directors, employees, attorneys, stockholders, successors, assigns and affiliates, of and from any and all claims, liabilities, and causes of action of every kind and nature, whether known or unknown, based upon or arising out of any agreements, events, acts, omissions or conduct at any time prior to and including the execution date of this Release, including, but not limited to: all claims concerning my employment with the Company or the termination of that employment; all claims pursuant to any federal, state or local law, statute, or cause of action, including, but not limited to, the federal Civil Rights Act of 1964, as amended; the federal Americans with Disabilities Act of 1990; the federal Age Discrimination in Employment Act of 1967, as amended (" ***ADEA*** "); the California Fair Employment and Housing Act, as amended; tort law; contract law; wrongful discharge; race, sex, age or other discrimination or harassment; fraud; defamation; emotional distress; and breach of the implied covenant of good faith and fair dealing.

I am knowingly, willingly and voluntarily releasing any claims I may have under the ADEA. I acknowledge that the consideration given for the release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) this Release does not apply to any rights or claims that may arise after I sign it; (b) I have the right to consult with an attorney prior to signing this Release; (c) I have twenty-one (21) days to consider this Release (although I may choose to voluntarily sign this Release earlier); (d) I have seven (7) days after I sign this Release to revoke it; and (e) this Release shall not be effective until the eighth day after it is signed by me.

In giving this release, which includes claims that may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: **" A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor ."** I hereby waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to my release of any unknown claims I may have, and I affirm that it is my intention to release all known and unknown claims that I have or may have against the parties released above.

This Release contains the entire agreement between the Company and me regarding the subjects above, and it cannot be modified except by a document signed by me and an authorized representative of the Company.

EMPLOYEE

Date: _____

Carey Chern

SCICLONE PHARMACEUTICALS, INC.

Date: _____ By: _____

Its: _____

Exhibit 10.43

Friedhelm Blobel, Ph.D.
President and CEO
(650) 358-3456

CONFIDENTIAL

September 30, 2016

Mr. Carey Chern
950 Tower Lane, S ui te 900
Foster City, CA 94404

Dear Carey ,

I am pleased to offer you a position with SciClone Pharmaceuticals , Inc. (the " Company ") as its General Counsel reporting to me, President and Chief Executive Officer of SciClone Pharmaceuticals, Inc . The position will be based out of our offices located at 950 Tower Lane, Suite 900 in Foster City, California. Your start date will be October 24 , 2016 .

If you decide to join us , you will receive a monthly salary of **$ 2 9 , 166 . 66** (twenty nine thousand one hundred sixty six and sixty six cents) less applicable withholding (annualized base salary of **$ 3 5 0 ,000.00**) which will be paid semi-monthly in accordance with the Company ' s normal payroll procedures. As an employee , you will be eligible to part icipate in the Company's annual bonus program, under which you will have an annual bonus opportunity targeted at **4 0 %** of your then current annual base salary and which will be earned based on your achievement of business objectives as established by the Company's President and Chief Executive Officer in accordance with t he terms of the bonus program. Such bonus, if earned, shall be paid not later than the date that is two and one-half months following the close of the year in which such bonus is earned.

SciClone will provide a sign-on bonus in the amount of $2 0,000 less applicable withholdings. The sign-on bonus will be advanced to you after your first month of employment. However, in the event that you voluntarily end your employment relationship prior to at least 12 months of service with the Company, you promise and agree to repay the Company the full amount of the sign-on bonus on your resignation date.

As a full-time employee, you and your eligible dependents are also eligible to participate in the Company's employee benefits plans and receive benefits subject to the conditions of those plans; such benefits currently include health, dental, life and vision insurance. You are also eligible to participate in the Company's 401(k) plan. In addition, you will be covered under the Company's long-term and short-term disability plans a s well as its group-term life insurance plan. You are eligible to earn paid-time off (PTO) of up to 25 days (200 hours) per calendar year, which is earned ratably semi-monthly. You are also eligible to participate in SciClone's Employee Stock Purchase Plan ("ESPP"). You should note that the Company may modify your salar y and the benefits it provides from time to time as it deems necessary.

In addition, if you decide to join us, it will be recommended at the next meeting of the Company's Board of Directors (the "Board") that the Company grant you an option to purchase **80,000 shares** of the Company's common stock at a price per share equal to the fair market value per share of the Company's common stock on the first day of your employment or the date of grant, as determined by the Board. Of the time-based shares, and subject to your continued employment, twenty-five percent (25%) of the option shares shall initially vest (become exercisable) on the first anniversary of your employment start date (and no shares shall vest before such date) and the remaining shares shall vest monthly over the next thirty-six (36) months in substantially equal monthly amounts. In addition, you will be granted **30,000 time-based Restricted Stock Units** (RSU's) vesting 25% at each of the one, two, three and four year anniversary or the first open trading window after such anniversary. The option shares and RSU's shall be subject to the terms and conditions of the Company's stock option plan and an appropriate form of stock option agreement, which you will be required to sign as a condition of receiving any option. Over time, additional stock option grants may be made available in the sole discretion of the Board.

In addition, it will be recommended that the Board approve an Employee Retention Agreement as well as an Indemnity agreement.

The Company intends that income provided to you pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. **However, the Company does not guarantee any particular tax effect for income provided to you pursuant to this Agreement.** In any event, except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to you, the Company shall not be responsible for the payment of any applicable taxes incurred by you on compensation paid or provided to you pursuant to this Agreement.

Notwithstanding anything herein to the contrary, the reimbursement of expenses or in-kind benefits provided pursuant to this Agreement shall be subject to the following conditions: (a) the expenses eligible for reimbursement or in-kind benefits in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year; (b) the reimbursement of eligible expenses or in-kind benefits shall be made promptly, subject to Company's applicable policies, but in no event later than the end of the year after the year in which such expense was incurred; and (c) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

For purposes of Section 409A of the Code, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

We look forward to a mutually beneficial relationship. Nevertheless, you should be aware that your employment with the Company is for no specified period and constitutes at-will employment. As a result, you are free to resign at any time, for any reason or for no reason . Similarly, the Company is free to conclude its employment relationship with you at any time, with or without cause, and with or without notice. We request that, in the event of resignation, you give the Company at least two (2) weeks' notice .

Your job offer and employment, is contingent upon the clearance of reference and background checks satisfactory to the Company .

For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us w ithin three (3) business days of your date of hire, or our employment relationship with you may be terminated.

In the event of any dispute or claim between you and the Company , including any claim relating to or arising out of your employment relationship with the Company , or the termination of your employment with the Company for any reason (including, but not limited to, any claims of breach of contract, wrongful termination or age, sex, race, national origin, disability or other discrimination or harassment), you and the Company agree that all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association ("AAA") under the AAA's National Rules for the Resolution of Employment Disputes then in effect, which are available online at the AAA's website at www.adr.org. The arbitrator shall permit adequate discovery and is empowered to award all remedies otherwise available in a court of competent jurisdiction and any judgment rendered by the arbitrator may be entered by any court of competent jurisdiction. The arbitrator shall issue an award in writing and state the essential findings and conclusions on which the award is based. By executing this letter, you and the Company are both waiving the right to a jury trial with respect to any such disputes. The Company shall bear the costs of the arbitrator, forum and filing fees. Each party shall bear its own respective attorney fees and all other costs, unless otherwise provided by law and awarded by the arbitrator.

We also ask that, if you have not already done so, you disclose to the Company any and all agreements relating to your prior employment that may affect your eligibility to be employed by the Company or limit the manner in which you may be employed. It is the Company 's understanding that any such agreements will not prevent you from performing the duties of your position and you represent that such is the case . Moreover, you agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to the Company. Similarly , you agree not to bring any third-party confidential information to the Company, including that of your former employer, and that in performing your duties for the Company, you will not in any way utilize any such information.

As with all of our employees, your employment is also subject to our general employment policies, many of which are described in our Employee Handbook. As a Company employee, you will be expected to abide by Company rules and standards. You will be specifically required to sign an acknowledgment that you have read and that you understand the Company ' s rules of conduct, which are included in the Company Handbook.

As a condition of your employment , you will also be required to sign and comply with SciClone's Confidential Disclosure Agreement (CDA) which is attached hereto as Exhibit B .

Carey , we are excited about the pros pect of having you join the SciC lone team and look forward to a mutually productive and successful relationship.

To indicate your acceptance of the Company ' s offer, please sign and date this letter in the space provided below as well as Exhibit A. A duplicate original is enclosed for your records. If you accept our offer, your first day of employment shall be subject to mutual agreement, but in no event will it be later than October 24 , 201 6 . This letter, along with any agreements relating to proprietary rights between you and the Company, set forth the terms of your employment with the Company and supersede any prior representations or agreements including, but not limited to any representations made during your interv iews, whether written or oral. This letter, including, but not limited to, its at-will employment provision, may not be modified or amended except by a written agreement signed by the Company President and you. This offer of employment will terminate if it is not accepted, signed and returned by October 10 , 2016 .

We look forward to your favorable reply and to working with you at SciClone .

Sincerely,

/s/ Friedhelm Blobel

Friedhelm Blobel, Ph.D.
President & Chief Executive Officer

AGREED TO AND ACCEPTED:

Signature:	/s/ Carey Chern
Name:	Carey Chern
Date:	October 2, 2016

Exhibit A

ROLES AND RESPONSIBILITIES OF GENERAL COUNSEL

Purpose: The General Counsel will be primarily responsible for managing the legal and business affairs of the company internationally, as well as overseeing the Compliance function .

- Manage all facets of the Company's legal needs
- Structuring, negotiating and documenting a wide variety of agreements
- Advise and work alongside executives in the company in all key functions including Finance, Human Resources, Business Development, Sales and Marketing, Manufacturing and Research and Development
- Assist with oversight of various corporate compliance policies and practices, including attending regular Compliance Committee meetings
- Assess litigation risks and provide advice to reduce risk and maximize legal rights
- Provide corporate governance advice and apply governance knowledge to business issues
- Develop solutions to complex legal matters
- Oversee compliance with all legal obligations of the company
- Participate in the preparation of draft board agendas, minutes, consents and resolutions
- Oversee trademark and other intellectual property portfolio
- O versee all litigation as needed
- Supervise more junior staff members
- Participate in, or oversee, compliance with U.S. Securities and Exchange Commission and other public disclosure obligations
- Coordinate assistance to the Company from outside legal counsel
- Any other duties that may be assigned by the Company from time to time
- Secretary of the Company including Board secretary

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT

NOVAMED PHARMACEUTICALS INC.
NOVAMED PHARMACEUTICALS (SHANGHAI) CO. LTD.
SCICLONE PHARMACEUTICALS (CHINA) CO. LTD.
SCICLONE PHARMACEUTICALS (CHINA) LTD
SCICLONE PHARMACEUTICALS (HONG KONG) DEVELOPMENT COMPANY LTD.
SCICLONE PHARMACEUTICALS HONG KONG LIMITED
SCICLONE PHARMACEUTICALS INTERNATIONAL (CAYMAN) DEVELOPMENT LIMITED
SCICLONE PHARMACEUTICALS INTERNATIONAL CHINA HOLDING LTD
SCICLONE PHARMACEUTICALS INTERNATIONAL LIMITED
SCICLONE PHARMACEUTICALS ITALY SRL
SCICLONE PHARMACEUTICALS (JIANGSU) CO. LTD.
SCICLONE PHARMACEUTICALS (SHANGHAI) DEVELOPMENT COMPANY LTD.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 **(** Nos. 333-52471, 333-62309, 333-77543, 333-81481 , 333-84487, 333-85673, 333-309 3 8 , 333-72800, 333-107538 and 333-176209 **)** and Form S-8 (Nos. 333-12169, 333-62059, 333-45820, 333-98081, 033-66832, 333-109256, 333-120008, 333-128482, 333-145281, 333-168668, 333-183171, 333-205554 and 333-213012) of SciClone Pharmaceuticals, Inc. of our report dated Ma rch 9 , 2017 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
March 9 , 2017

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Friedhelm Blobel, Ph.D., certify that:

1. I have reviewed this Annual R eport on Form 10- K of SciClone Pharmaceuticals, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9 , 2017

/s/ Friedhelm Blobel, Ph.D.

Friedhelm Blobel, Ph.D.
Chief Executive Officer and President
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wilson W. Cheung, certify that:

1 . I have reviewed this Annual Report on Form 10-K of SciClone Pharmaceuticals, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9 , 2017

/s/ Wilson W. Cheung

Wilson W. Cheung
Senior Vice President, Finance and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Friedhelm Blobel, Chief Executive Officer and President, of SciClone Pharmaceuticals, Inc. (the "Registrant"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) the Annual Report on Form 10-K of the Registrant, to which this certification is attached as an exhibit (the "Report"), fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 9 , 2017

/s/ Friedhelm Blobel, Ph.D.
Friedhelm Blobel, Ph.D.
Chief Executive Officer and President
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to SciClone Pharmaceuticals, Inc. and will be retained by SciClone Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Wilson W. Cheung, Senior Vice President, Finance and Chief Financial Officer, of SciClone Pharmaceuticals, Inc. (the "Registrant"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) the Annual Report on Form 10-K of the Registrant, to which this certification is attached as an exhibit (the "Report"), fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 9 , 2017

/s/ Wilson W. Cheung
Wilson W. Cheung
Senior Vice President, Finance and Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to SciClone Pharmaceuticals, Inc. and will be retained by SciClone Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.