OBI PHARMA, INC.

Financial Statements and

Report of Independent Accountants

December 31, 2012 and 2011

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

Report of Independent Accountants

To the Board of Directors and Shareholders of OBI PHARMA, INC.:

We have audited the accompanying balance sheets of OBI PHARMA, INC. as of December 31, 2012, and the related statements of income, of changes in stockholders' equity and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of OBI PHARMA, INC. as of and for the year ended December 31, 2011 were audited by other auditors whose report dated March 9, 2012, expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OBI PHARMA, INC. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended, in conformity with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

OBI PHARMA, INC. will adopt International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively referred herein as the IFRSs) as recognized by the Financial Supervisory Commission, Executive Yuan, R.O.C (FSC) and the "Regulations Governing the Preparation of Financial Statements by Securities Issuers" that is applied in 2013 in the preparation of financial statements of OBI PHARMA, INC. from January 1, 2013. Information relating to the adoption of IFRSs by OBI PHARMA, INC. is disclosed in Note 12 in accordance with Jin-Guan-Zheng-Shen-Zi Letter No. 0990004943 of the FSC, dated February 2, 2010. The IFRSs may be subject to changes during the time of transition; therefore, the impact of IFRSs adoption on OBI PHARMA, INC. may also change.

PricewaterhouseCoopers, Taiwan

April 10, 2013

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

OBI PHARMA, INC.
BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	Notes	2012 AMOUNT	2012 %	2011 AMOUNT	2011 %
Current Assets					
Cash and cash equivalents	4(1)	$ 450,338	51	$ 56,149	11
Financial assets at fair value through profit or loss - current	4(2)	269,965	31	386,648	74
Other receivables	4(11) and 5	191	-	1,683	1
Other financial assets - current	4(10) and 6	14,840	2	12,111	2
Prepayments		44,482	5	6,190	1
		779,816	89	462,781	89
Property, Plant and Equipment					
Cost	4(3)				
Testing equipment		6,847	1	400	-
Office equipment		5,178	1	4,805	1
Leasehold improvements		7,099	1	6,719	1
		19,124	3	11,924	2
Less: Accumulated depreciation		(7,208)	(1)	(4,878)	(1)
Prepayment for equipment		607	-	-	-
		12,523	2	7,046	1
Intangible Assets	4(4) and 5				
Patents		80,499	9	51,576	10
Other Assets					
Refundable deposits		1,336	-	1,314	-
TOTAL ASSETS		$ 874,174	100	$ 522,717	100

(Continued)

OBI PHARMA, INC.
BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	2012 AMOUNT	2012 %	2011 AMOUNT	2011 %
Current Liabilities					
Notes payable		$ 1,573	-	$ -	-
Accrued expenses	4(5)	42,823	5	742	-
Other payables		-	-	1,420	-
Receipts in advance		6	-	12,111	3
Total liabilities		44,402	5	14,273	3
Stockholders' Equity					
Capital	4(6)(8)				
Common stock		1,382,520	158	1,000,000	191
Additional paid-in capital	4(6)(7)(8)				
Common stock share premium		187,737	21	-	-
Employee stock options		15,645	2	9,390	2
Others		91	-	-	-
Accumulated deficit	4(9)(11)				
Accumulated deficit		(756,221)	(86)	(500,946)	(96)
Total stockholders' equity		829,772	95	508,444	97
Commitments and Contingencies	5 and 7				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 874,174	100	$ 522,717	100

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 10, 2013.

OBI PHARMA, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSSES PER SHARE DATA)

	Notes	2012 AMOUNT	2012 %	2011 AMOUNT	2011 %
Operating expenses	4(5)(8) (13) and 5				
General and administrative		($ 90,935)	(35)	($ 42,201)	(33)
Research and development		(193,167)	(76)	(99,438)	(78)
Total operating expenses		(284,102)	(111)	(141,639)	(111)
Operating loss		(284,102)	(111)	(141,639)	(111)
Non-operating income and gains					
Interest income		2,287	1	339	-
Foreign currency exchange gain, net		-	-	278	-
Gain on valuation of financial assets, net	4(2)	3,344	1	-	-
Others	4(10)	24,662	10	15,954	13
Total non-operating income and gains		30,293	12	16,571	13
Non-operating expenses and losses					
Foreign currency exchange loss, net		(1,466)	(1)	-	-
Loss on valuation of financial assets, net	4(2)	-	-	(2,519)	(2)
Total non-operating expenses and losses		(1,466)	(1)	(2,519)	(2)
Net loss		($ 255,275)	(100)	($ 127,587)	(100)

	Notes	2012 Before Tax	2012 After Tax	2011 Before Tax	2011 After Tax
Losses per share (In dollars)	4(12)				
Basic losses per share		($ 1.95)	($ 1.95)	($ 1.38)	($ 1.38)

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 10, 2013.

OBI PHARMA, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Additional paid-in capital			Accumulated deficit		
	Common Stock	Common stock share premium	Employee stock options	Others	Accumulated deficit in the development stage	Accumulated deficit	Total
2011							
Balance at January 1, 2011	$ 538,000	$ -	$ 4,800	$ -	($ 373,359)	$ -	$ 169,441
Issuance of common stock	462,000	-	-	-	-	-	462,000
Employee stock option plan compensation expense	-	-	4,590	-	-	-	4,590
Net loss for the period from January 1 to June 30, 2011	-	-	-	-	(73,661)	-	(73,661)
Accumulated deficit in the development stage reclassified to accumulated deficit	-	-	-	-	447,020	(447,020)	-
Net loss for the period from July 1 to December 31, 2011	-	-	-	-	-	(53,926)	(53,926)
Balance at December 31, 2011	$ 1,000,000	$ -	$ 9,390	$ -	$ -	($ 500,946)	$ 508,444
2012							
Balance at January 1, 2012	$ 1,000,000	$ -	$ 9,390	$ -	$ -	($ 500,946)	$ 508,444
Issuance of common stock	360,000	180,000	-	-	-	-	540,000
Exercise of employee stock options	22,520	7,737	(7,737)	-	-	-	22,520
Employee stock option plan compensation expense	-	-	14,083	-	-	-	14,083
Expiration of employee stock options	-	-	(91)	91	-	-	-
Net loss for 2012	-	-	-	-	-	(255,275)	(255,275)
Balance at December 31, 2012	$ 1,382,520	$ 187,737	$ 15,645	$ 91	$ -	($ 756,221)	$ 829,772

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 10, 2013.

OBI PHARMA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
Cash flows from operating activities		
Net loss	($ 255,275)	($ 127,587)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	2,339	1,271
Amortization	13,935	4,379
Employee stock option plan compensation expense	14,083	4,590
(Gain) loss on valuation of financial assets	(3,344)	2,519
Changes in assets and liabilities		
Financial assets at fair value through profit or loss - current	120,027	(389,167)
Other receivables (including related parties)	1,492	(736)
Other financial assets - current	(2,729)	(12,111)
Prepayments	(36,719)	(4,278)
Accrued expenses	42,081	(395)
Other payables	(1,420)	1,180
Receipts in advance	(12,105)	12,111
Net cash used in operating activities	(117,635)	(508,224)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,816)	(5,091)
Acquisition of patents	(42,858)	-
Increase in refundable deposits	(22)	(362)
Net cash used in investing activities	(50,696)	(5,453)
Cash flows from financing activities		
Proceeds from issuance of common stock	540,000	462,000
Exercise of employee stock options	22,520	-
Net cash provided by financing activities	562,520	462,000
Increase (decrease) in cash and cash equivalents	394,189	(51,677)
Cash and cash equivalents at beginning of the year	56,149	107,826
Cash and cash equivalents at end of the year	$ 450,338	$ 56,149

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 10, 2013.

OBI PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

OBI PHARMA, INC. (the "Company") was established on April 29, 2002 upon approval by the Ministry of Economic Affairs. The Company was in the development stage before June 30, 2011, and commenced its principal operations from July 1, 2011. The Company conducted the initial public offering in May 2012, and traded its shares on the Emerging Stock Market of the Taiwan GreTai Securities Market since December 12, 2012. Its main activity is to conduct new drugs research. The Company had 40 and 20 employees as of December 31, 2012 and 2011, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China. The Company's significant accounting policies are summarized as follows:

(1) Foreign currency transactions

A.Transactions denominated in foreign currencies are recorded in functional currency at the rates of exchange in effect when the transactions occurred. Translation gain or loss arising from the settlement of assets and liabilities denominated in foreign currencies are included in profit or loss in the year of actual settlement.

B.Monetary assets and liabilities denominated in foreign currencies are remeasured at the balance sheet date using the exchange rates in effect on that date, with related exchange gain and loss included in the statement of income.

C.Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through stockholders' equity are remeasured at the exchange rate prevailing at the balance sheet date, with related exchange gain or loss recorded as cumulative translation adjustment in stockholders' equity. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are remeasured at the exchange rate prevailing at the balance sheet date, with related exchange gain or loss recorded in the statement of income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are remeasured at the historical exchange rate.

(2) Classification of current and non-current assets and liabilities

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

(a)Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;

(b)Assets held mainly for trading purposes;

(c)Assets that are expected to be realized within twelve months from the balance sheet date;

(d)Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

(a)Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

(b)Liabilities arising mainly from trading activities;

(c)Liabilities that are to be paid off within twelve months from the balance sheet date;

(d)Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(3) Financial assets and financial liabilities at fair value through profit or loss

A.Equity instruments are recognized and derecognized using trade date accounting, whereas, debt instruments, beneficiary certificates and derivative financial instruments are recognized and derecognized using settlement date accounting, which are recognized initially at fair value.

B.These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of open-end funds is based on the net asset value at the balance sheet date.

(4) Other receivables

A.Other receivables are those arising from transactions other than the sale of goods or services, which are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for accumulated impairment.

B.The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment is established when there is objective evidence that the receivables are impaired.

(5) Property, plant and equipment

A.Property, plant and equipment are stated at cost. Depreciation is provided under the straight-line method over the estimated useful lives of the assets which range from 3~5 years. Salvage value of fully depreciated assets still in use is depreciated over the remaining useful lives.

B.Major improvements and renewals are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred. When an asset is sold or retired, the cost and accumulate depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).

(6) Intangible assets

A.Patents acquired in intellectual property right as equity are recognized at fair value at the acquisition date, and amortized on a straight-line basis over their estimated useful lives.

B.Patents acquired in cash are stated at cost and amortized on a straight-line basis over their estimated useful lives.

(7) Impairment of non-financial assets

The Company recognizes impairment loss when there is indication of impairment at the balance sheet date. If any indication of impairment exists, the Company then compares the carrying amount with the recoverable amount of the assets and writes down the carrying amount to the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exists, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

(8) Pension plan

Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(9) Income tax

A.Income tax is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred tax resulting from items reported in different periods for tax and financial reporting purposes. Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense.

B.Income tax credits arising from expenditures for research and development are recorded as deferred income tax assets and credited to income tax expense in the period the related expenditures are incurred.

C.The 10% additional income tax on unappropriated retained earnings is recorded as current income tax expense in the year when the stockholders resolve not to distribute the earnings.

D.Current income tax is the higher of current income tax payable or the Alternative Minimum Tax ("AMT") calculated by applying the Income Basic Tax Act (IBTA). The Company has taken into consideration the impact of the AMT in the determination of its current income tax expense and its future impact when estimating the realizable value of the deferred income tax assets.

(10) Share-based payment - employee compensation plan

For employee stock options, the Company shall measure the services received and recognize as salaries during the vesting period by using the fair value of the equity instruments granted.

(11) Employees' bonuses and directors' and supervisors' remuneration

Pursuant to Interpretation (96) 052 issued by the ARDF, dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year and treated as accounting estimate difference. In addition, according to Jin Guan Zheng Zi No. 0960013218 issued by Financial Supervisory Commission on March 30, 2007, the Company calculates the number of shares of employees' stock bonus based on the net value of financial statements audited by independent accountants.

(12) Expenses

Expenses are recognized as current expenses when incurred.

(13) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants related to property, plant and equipment are recognized as non-current liabilities. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

(14) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

(15) Settlement date accounting

Any change in the fair value during the period between the trade date and the settlement date / balance sheet date is not recognized for financial assets carried at cost or amortized cost. For financial assets or financial liabilities at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial assets, the change in fair value is recognized directly in equity.

(16) Operating segments

In accordance with SFAS No. 41, "Operating Segments", operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Other receivables

Effective January 1, 2011, the Company adopted the amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". Under this standard, a provision for impairment (bad debt) of other receivables is established when there is objective evidence that they are impaired. This change in accounting principle had no significant effect on the net loss for the year ended December 31, 2011.

(2) Operating segments

Effective January 1, 2011, the Company adopted SFAS No. 41, "Operating Segments", replacing the original SFAS No. 20, "Segment Reporting". This change in accounting principle had no effect on the net loss and losses per share for the year ended December 31, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2012	December 31, 2011
Petty cash	$ 20	$ 20
Checking deposits	948	5,249
Demand deposits	124,370	50,880
Time deposits	325,000	-
	$ 450,338	$ 56,149

(2) Financial assets at fair value through profit or loss

Items	December 31, 2012	December 31, 2011
Current:		
Financial assets held for trading		
Open-end funds	$ 269,643	$ 390,353
Valuation adjustment	322	(3,705)
	$ 269,965	$ 386,648

For the years ended December 31, 2012 and 2011, the Company recognized net financial assets gain (loss) on valuation of $3,344 and ($2,519), respectively.

(3) Property, plant and equipment

	December 31, 2012		
	Initial cost	Accumulated depreciation	Book value
Testing equipment	$ 6,847	($ 455)	$ 6,392
Office equipment	5,178	(2,619)	2,559
Leasehold improvements	7,099	(4,134)	2,965
Prepayments for equipment	607	-	607
	$ 19,731	($ 7,208)	$ 12,523

	December 31, 2011		
	Initial cost	Accumulated depreciation	Book value
Testing equipment	$ 400	($ 22)	$ 378
Office equipment	4,805	(1,638)	3,167
Leasehold improvements	6,719	(3,218)	3,501
	$ 11,924	($ 4,878)	$ 7,046

(4) Intangible assets

Patent	December 31, 2012 Initial cost	Accumulated amortization	Book value
OBI-822/821 (former name：OPT-822/821) Therapeutically metastatic breast cancer vaccines	$ 87,577	($ 46,364)	$ 41,213
OBI-858 Product development project of botulinum	42,858	(3,572)	39,286
	$ 130,435	($ 49,936)	$ 80,499

Patent	December 31, 2011 Initial cost	Accumulated amortization	Book value
OBI-822/821 (former name：OPT-822/821) Therapeutically metastatic breast cancer vaccines	$ 87,577	($ 36,001)	$ 51,576

A. The Company purchased patents named "OPT-822/ 821", therapeutically metastatic breast cancer vaccines, and "OPT-80", Macrolide, from Optimer Pharmaceuticals, Inc. (the name "Optimer" is no longer used and the name was changed to "OBI-822/821" after the organization changed in October 2012) on December 29, 2003. The patent amounting to USD 6,000 thousand (approximately TWD 204,000 thousand) based on the appraisal report, was acquired by intellectual property right as equity of 20,400 thousand shares and the amortized useful life is 17 years. For other royalty payments related to sale terms, please refer to Note 5.

B. The Company signed a patent transfer contract for Macrolide with Optimer Pharmaceuticals, Inc. on October 30, 2009. The price was $109,126 and the Company recognized a gain on disposal of assets amounting to $26,660 by deducting the costs of $116,423 and accumulated amortization of $33,957 .

C. The Company purchased a patent named "product development project of botulinum" from Amaran Biotechnology Inc. on March 2, 2012, which amounted to $42,858 and the amortized useful life is 10 years. Please refer to Note 5 for the detailed information.

(5) Pension

The Company has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act for all employees. Under the New Plan, the Company contributes monthly an amount based on not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable upon termination of employees. The pension costs under the defined contribution pension plan were

$2,179 and $1,065 for the years ended December 31, 2012 and 2011, respectively.

(6) Common stock

A.The Board of Directors of the Company on March 9, 2012 and September 25, 2011 adopted a resolution to increase capital by issuing 36,000 and 46,200 thousands shares of new common stock, with a par value of $15 and $10 (in dollars) per share, respectively. The increased capital had been approved and registered by the authority.

B.As of December 12, 2012, the Company's employees had exercised stock options to acquire 2,252 thousand shares of common stock , with a par value of $10 (in dollars) per share. The increased capital had been approved and registered by the authority.

C.As of December 31, 2012, the Company's authorized capital was $1,500,000, and the outstanding capital was $1,382,520, with a par value of $10 (in dollars) per share. All the Company's capital consists of common stock.

(7) Additional paid-in capital

The Company Act requires that capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be used to cover accumulated deficit, or to increase capital or payment of cash in proportion to ownership percentage when the Company has no accumulated deficit. Besides, the Securities and Exchange Act requires that the capital reserve can be capitalized once a year and the amount shall not exceed 10% of the paid-in capital. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(8) Share-based payment - employee compensation plan

A.The options were granted to qualified employees of the Company by issuing new shares when exercised. The options are valid for 10 years. The major contents were as follows:

Grant date	No. of units	Subscription share per unit	Vested condition	Actual staff turnover rate	Weighted-average remaining contract period
2010.03.08	2,360,000	1	One year later after grant, employees can monthly exercise options at certain percentage.	-	7.18
2010.05.21	100,000	1	〃	60.00%	7.39
2010.09.10	60,000	1	〃	-	7.69
2010.12.15	144,000	1	〃	83.33%	7.96
2011.01.01	588,000	1	〃	2.04%	8.00
2011.03.30	80,000	1	〃	12.50%	8.24
2011.06.10	124,000	1	〃	48.39%	8.44
2011.09.30	260,000	1	〃	23.08%	8.75
2011.12.16	2,450,000	1	〃	3.27%	8.96
2012.02.13	1,560,000	1	〃	10.26%	9.00
2012.03.09	270,000	1	〃	22.22%	9.19

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

	2012		2011	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	3,776,000	$ 10	2,664,000	$ 10
Options granted	4,220,000	10	1,112,000	10
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-		-	
Options exercised	(2,251,952)	10	-	
Options abandoned	(540,333)	10	-	
Options outstanding at end of the year	5,203,715	10	3,776,000	10
Options exercisable at end of the year	987,255		1,303,668	
Options authorized but not granted at end of the year	4,000		1,834,000	
Options expired	-		-	

C.The fair value of stock options is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Grant date	Range of exercise price per share (in dollars)	Expected volatility	Expected dividends yield	Risk-free interest rate	Fair value per unit (in dollars)
2010.03.08	$ 10	44.23%	0.00%	1.4191%	$ 3.16
2010.05.21	10	44.23%	0.00%	1.4191%	3.16
2010.09.10	10	44.23%	0.00%	1.4191%	3.16
2010.12.15	10	44.23%	0.00%	1.4191%	3.16
2011.01.01	10	41.62%	0.00%	1.5087%	4.98
2011.03.30	10	41.62%	0.00%	1.5087%	4.98
2011.06.10	10	41.62%	0.00%	1.5087%	4.98
2011.09.30	10	40.94%	0.00%	1.2856%	3.21
2011.12.16	10	40.94%	0.00%	1.2856%	3.21
2012.02.13	10	40.83%	0.00%	1.2191%	5.21
2012.03.09	10	40.83%	0.00%	1.2191%	5.21

D.For the years ended December 31, 2012 and 2011, the Company recognized employee stock option plan compensation expense of $14,083 and $4,590, respectively.

(9) Accumulated deficit

A.According to the Company's Articles of Incorporation, the annual net income shall be used to pay all taxes, after covering prior years' losses, and 10% set aside as legal reserve and then an appropriate amount set aside as special reserve according to relevant regulations or as required by the government, if any, should be distributed as follows:

(a)No more than 2% as directors' and supervisors' bonuses;

(b)No less than 1% as employees' bonuses;

(c)The remaining earnings plus the undistributed earnings, if any, may be appropriated according to a resolution adopted in the stockholders' meeting.

B.The Company is facing a capital intensive industrial environment, with the life cycle of the industry is in the growth phase, the residual dividend policy is adopted taking into consideration the Company's operating expansion plans and investment demands. According to the balanced dividend policy adopted by the Board of Directors, stock dividends and cash dividends will be allocated in consideration of the actual net income and funds status and cash dividends shall account for at least 10% of the total dividends distributed.

C.Except for covering accumulated deficit, increasing capital or payment of cash, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall not exceed 25% of the paid-in capital.

D.The appropriations of 2011 and 2010 had been resolved at the stockholders' meeting on June 26, 2012 and June 10, 2011, respectively. There are no earnings that can be distributed due to 2011 and 2010 are both accumulated deficit.

E.The appropriations of 2012 had been proposed by the Board of Directors on April 10, 2013. Details are summarized as follows:

	2012
Accumulated deficit at beginning of the year	($ 500,946)
Net loss in 2012	(255,275)
Accumulated deficit at ending of the year	($ 756,221)

As of April 10, 2013 the appropriations of 2012 stated above had not been resolved by the stockholders.

F.There were no estimated amounts of employees' bonuses and directors' and supervisors' remuneration for the years ended December 31, 2012 and 2011. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as proposed by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(10) Non-operating income and gains-others

	2012	2011
Government grants	$ 24,481	$ 15,324
Others	181	630
	$ 24,662	$ 15,954

A.The Company obtained government grants for OBI-822/821 (former name: OPT-822/821), therapeutically metastatic breast cancer vaccines, in Phase Ⅱ/Ⅲ from Department of Industrial Technology of Ministry of Economic Affairs R.O.C. (MOEA) on December 25, 2012 and

September 22, 2011, respectively. The contract periods are 2012.7.1~2015.6.30 and 2011.1.1~2012.6.30 and contract grants are $75,128 and $27,435, respectively. The Company recognized government grants of $24,481 and $15,324 based on the development process for the years ended December 31, 2012 and 2011, respectively.

B.According to the contracts with MOEA, the Company was requested to provide the same amount of refundable deposits guaranteed by the bank, or the government grants cannot be used until the government approves. The Company entered into agreements of performance guarantee with E. SUN BANK amounting to $14,840 (the period is 2012.12.26 ~ 2013.6.30) and $12,111 as of December 31, 2012 and 2011, respectively.

(11) Income tax

A.The reconciliation between income tax expense and income tax refundable are as follows：

	2012	2011
Current year income tax based on the statutory income	$ -	$ -
Tax effect of permanent differences	801	781
Tax effect of temporary differences	(801)	(781)
Income tax expense	-	-
Less: prepaid income tax	(191)	(64)
Income tax refundable	($ 191)	($ 64)

B.The components of deferred income tax assets are as follows:

	December 31, 2012		December 31, 2011	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Deferred income tax assets				
Unrealized exchange loss	$ 64	$ 11	$ 1,011	$ 172
Valuation allowance		(11)		(172)
		$ -		$ -
Non-current items:				
Deferred income tax assets				
Tax benefit of loss carryforwards	731,482	$ 124,352	483,444	$ 82,186
Investment tax credits		57,154		35,328
Others	-	-	971	165
		181,506		117,679
Valuation allowance		(181,506)		(117,679)
		$ -		$ -

C.As of December 31, 2012, the details of the unused investment tax credits under the Act for the Development of Biotech and New Pharmaceuticals Industry are as follows:

Qualifying items	Total tax credits	Unused tax credits
Research & development expenditures	$ 17,302	$ 17,302
"	15,609	15,609
"	24,243	24,243
	$ 57,154	$ 57,154

The unused tax credits can offset the current income tax payable of the future five years with a range of not more than 50% of each year’s income tax payable, but the last year can be fully offset.

D.As of December 31, 2012, the details of the unused tax benefit of loss carryforwards are as follows:

Year incurred	Total tax credits	Unused tax credits	Year of expiration
2003	$ 3,596	$ 3,596	2013
2004	4,784	4,784	2014
2005	2,468	2,468	2015
2006	3,300	3,300	2016
2007	3,841	3,841	2017
2008	26,240	26,240	2018
2009	1,286	1,286	2019
2010	15,714	15,714	2020
2011	20,200	20,200	2021
2012	42,923	42,923	2022
	$ 124,352	$ 124,352	

E.As of December 31, 2012, the Tax Authority has examined the Company’s income tax returns through 2010.

F.Accumulated deficits:

	December 31, 2012	December 31, 2011
Deficits generated in and after 1998	($ 756,221)	($ 500,946)

G.As of December 31, 2012 and 2011, the balance of the imputation credit account were both $0, and no earnings can be distributed.

(12) Losses per share

	2012				
	Amount		Weighted-average outstanding common shares	Losses per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Basic losses per share					
Net loss	($ 255,275)	($ 255,275)	130,735	($ 1.95)	($ 1.95)

	2011				
	Amount		Weighted-average outstanding common shares	Losses per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Basic losses per share					
Net loss	($ 127,587)	($ 127,587)	92,532	($ 1.38)	($ 1.38)

Note: The potential common shares will cause the anti-dilutive effect due to net loss in 2012 and 2011, so only the basic losses per share data is shown.

(13) Personnel expenses, depreciation, and amortization

Personnel expenses, depreciation, and amortization are summarized as follows:

	2012		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ -	$ 67,352	$ 67,352
Labor and health insurances	-	3,132	3,132
Pension	-	2,179	2,179
Others	-	790	790
Depreciation	-	2,339	2,339
Amortization	-	13,935	13,935

	2011		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ -	$ 27,385	$ 27,385
Labor and health insurances	-	1,622	1,622
Pension	-	1,065	1,065
Others	-	506	506
Depreciation	-	1,271	1,271
Amortization	-	4,379	4,379

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of the related parties

Names of related parties	Relationship with the Company
Optimer Pharmaceuticals, Inc. (OPT)	Investor company and accounted for under the equity method for the Company (OPT became a non-related party starting October 2012)
Amaran Biotechnology Inc. (Amaran)	Common chairman (Amaran became a non-related party starting March 2012)

Note: The company re-elected directors, supervisors and chairman at the extraordinary stockholders' meeting on February 7, 2013. After this re-election, Amaran became a related party of the Company because the chairman is the same as the chairman of the Company from that date.

(2) Significant transactions and balances with related parties

A. Operating expenses

	2012		2011	
	Amount	%	Amount	%
OPT	$ -	-	$ 8,088	6

Operating expenses mainly consists of labor support to OPT, etc.

B. Operating lease transactions

	2011		
	Lease income	Leased property	Lease period
Amaran	$ 2, 316	Laboratory room W1911,19F, F Building, Nankang Software Park	2011/1/1~2011/12/31

The rent was determined based on the general lease prices and was recognized as deduction of rent expenses. The Company charges monthly and no refundable deposits were received.

C. Other receivables

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
OPT	$ -	-	$ 1,467	87
Amaran	-	-	216	13
	$ -	-	$ 1,683	100

D. Property transactions

(a) The Company purchased a patent named "product development project of botulinum" from Amaran amounting to $45,000, which was based on the appraisal report made by an external expert to assess the potential value which ranged from $47,000 to $50,000.

(b) The Company signed an authorized sale contract for Antibiotics-Fidaxomicin with OPT on June 6, 2011. The contract states that the Company must pay royalty fees to OPT based on 17% or 22% of sales under the revenue achievements. The payment period of the royalty fee is the duration of patent right or ten years starting from the initial sales, whichever is later.

(3) Compensation of key management

	2012	2011
Salaries and bonuses	$ 32,599	$ 8,724
Service execution fees	275	120
Share-based payment	9,627	2,587
	$ 42,501	$ 11,431

The other information will be available in the annual report for the stockholders' meeting.

6. PLEDGED ASSETS

As of December 31, 2012 and 2011, certain time deposits and bank deposits are restricted to use under the government grant contracts amounting to $14,840 and $12,111, respectively. Please refer to Note 4(10) for the detailed information.

7. COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in Note 5, other significant commitments and contingencies of the Company as of December 31, 2012 are as follows:

(1)The Company entered into operating lease contracts for its office. Future lease payments under those leases were as follows:

Year	Amount
2013	$ 6,489
2014	61
2015	51
2016	30
	$ 6,631

(2)For multinational clinical trials and global deployment, the Board of Directors resolved to invest in Mainland China the amount of USD 1 million on December 19, 2012. As of December 31, 2012, the Company has not remitted the capital yet.

8. SIGNIFICANT DISASTER LOSS: None.

9. SUBSEQUENT EVENTS

The significant subsequent events resolved by the Board of Directors on April 10, 2013 are as follows:

(1) Issuance of new common stock: proposal to issue 6,329 thousand shares of common stock to raise $1,000,000.

(2) Employee stock options plan: the total grant number is 4,700,000 units and each unit entitles the holder to subscribe for 1 share of the Company’s commom stock. The options are granted to qualified employees of the Company and its subsidiaries and branches, and exercisable by issuing new common stock.

10. OTHERS

(1) Financial statement presentation

Certain accounts in the 2011 financial statements were reclassified to conform with the 2012 financial statement presentation.

(2) Fair values of the financial instruments

	December 31, 2012		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 466,514	$ -	$ 466,514
Financial assets at fair value through profit or loss	269,965	269,965	-
Liabilities			
Financial liabilities with fair values equal to book values	44,396	-	44,396

	December 31, 2011		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 71,257	$ -	$ 71,257
Financial assets at fair value through profit or loss	386,648	386,648	-
Liabilities			
Financial liabilities with fair values equal to book values	2,162	-	2,162

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

A.For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, other receivables (excluding income tax refundable), other financial assets-current, refundable deposits, notes payable, accrued expenses and other payables.

B.The fair values of financial assets at fair value through profit or loss are based on quoted market prices in an active market.

C.For refundable deposits, the fair values were determined based on their carrying values because the discounted values are approximately the same as the carrying values.

(3) Procedure of financial risk control and hedge

The Company can effectively control to attain optimum risk positions, maintain appropriate liquidity positions and centralize management of significant market risks after appropriately taking into consideration the economic environment, competition, and changes of market value risk by setting the goal of risk management.

(4) Information of material financial risk

A. Market risk

(a) Information on significant foreign currency denominated assets and liabilities:

	December 31, 2012						December 31, 2011					
	Foreign Currency (in thousands)		Exchange Rate	NTD			Foreign Currency (in thousands)		Exchange Rate	NTD		
Financial assets												
Monetary item												
USD	$	3,218	29.04	$	93,459		$	62	30.28	$	1,878	

(b) The investments in equity financial instruments owned by the Company are exposed to price risk, but the possibility of market risk is low as a result of the monitoring and setting of a stop-loss point.

(c) Certain transactions of the Company are conducted in foreign currencies, so the change in fair value will be caused by foreign exchange rate fluctuations.

B. Credit risk

The equity financial instruments have active markets and are transacted with financial institutions which are all in good credit standing. Therefore, the credit risk is low.

C. Liquidity risk

The Company's investments in financial assets which have active markets are expected to be sold easily and quickly in the market at the price close to the fair value. Therefore, the liquidity risk is low.

D. Cash flow risk due to changes in interest rate

No financial instruments with floating interest rate are owned by the Company. Therefore, the Company expects no cash flow risk due to changes in interest rate.

11. OPERATING SEGMENT INFORMATION

The Company operates business only in a single industry, new drug research. The chief operating decision-maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment. And the Company only operates in Taiwan, so the information of segment income (loss), segment assets and segment liabilities are the same as the financial statements.

12. DISCLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission, and "Rules Governing the Preparation of Financial Statements by

Securities Issuers” that will be applied in 2013 in the preparation of financial statements.

The Company discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Letter No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010:

(1) Major contents and status of execution of the Company’s plan for IFRSs adoption:

The Company has formed an IFRSs group, headed by the Company’s general manager, which is responsible for setting up a plan relative to the Company’s transition to IFRSs. The major contents and status of execution of this plan are outlined below:

Working Items for IFRSs Adoption	Status of Execution
a. Formation of an IFRSs group	Completed
b. Setting up a plan relative to the Company’s transition to IFRSs	Completed
c. Identification of the differences between current accounting policies and IFRSs	Completed
d. Identification of consolidated entities under the IFRSs framework	Completed
e. Evaluation of the impact of each exemption and option on the Company under IFRS 1 – First-time Adoption of International Financial Reporting Standards	Completed
f. Evaluation of needed information system adjustments	Completed
g. Evaluation of needed internal control adjustments	Completed
h. Establish IFRSs accounting policies	Completed
i. Selection of exemptions and options available under IFRS 1 – First-time Adoption of International Financial Reporting Standards	Completed
j. Preparation of balance sheet on the date of transition to IFRSs	Completed
k. Preparation of IFRSs comparative financial information for 2012	Completed
l. Completion of relevant internal control (including financial reporting process and relevant information system) adjustments	Completed

(2) Material differences that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future and the effects of those differences are outlined below:

The Company uses the IFRSs already ratified currently by the Financial Supervisory Commission and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Company's current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified by the Financial Supervisory Commission or relevant interpretations or amendments to the "Rules Governing the Preparation of Financial Statements by Securities Issuers" in the future and therefore, the actual effects of those differences may also change.

No material differences were identified by the Company that may arise between current accounting policies used in the preparation of financial statements and IFRSs and "Rules Governing the Preparation of Financial Statements by Securities Issuers" that will be used in the preparation of financial statements in the future. Therefore, the financial statements prepared in accordance with current accounting policies are expected to be consistent with the financial statements prepared in accordance with IFRSs.

(3) No exemptions were adopted by the Company in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" and the "Rules Governing the Preparation of Financial Statements by Securities Issusers" that will be applied in 2013. However, the current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified, and changes in accounting principles and business environment or circumstances occur in the future.