

OBI PHARMA, INC. AND SUBSIDIARIES

Consolidated Financial Statements and

Report of Independent Accountants

December 31, 2014 and 2013

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

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

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

We have also audited the parent company only financial statements of OBI PHARMA, INC. (not presented herein) as of and for the years ended December 31, 2014 and 2013, and have expressed an unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 13, 2015

The accompanying consolidated financial statements are not intended to present the financial position, and results of operations and cash flows in accordance with accounting principles 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 consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the consolidated 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. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	Notes	December 31, 2014		December 31, 2013	
		Amount	%	Amount	%
Current Assets					
Cash and cash equivalents	6(1)	\$ 896,959	60	\$ 1,273,011	65
Other receivables		2,656	-	630	-
Prepayments		36,980	3	19,989	1
Other current assets	8	750	-	9,900	-
Total current assets		<u>937,345</u>	<u>63</u>	<u>1,303,530</u>	<u>66</u>
Non-current Assets					
Available-for-sale financial assets - non-current	6(2)	22,500	1	22,500	1
Investments in bonds without active markets - non-current	6(3)	400,000	27	500,000	25
Property, plant and equipment	6(4)	45,234	3	33,224	2
Intangible assets	6(5)	67,745	5	73,924	4
Other non-current assets	8	15,276	1	37,482	2
Total non-current assets		<u>550,755</u>	<u>37</u>	<u>667,130</u>	<u>34</u>
TOTAL ASSETS		<u>\$ 1,488,100</u>	<u>100</u>	<u>\$ 1,970,660</u>	<u>100</u>

(Continued)

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY	Notes	December 31, 2014		December 31, 2013	
		Amount	%	Amount	%
Current Liabilities					
Notes payable		\$ -	-	\$ 1,265	-
Other payables		43,452	3	40,144	2
Other current liabilities		787	-	49	-
Total liabilities		<u>44,239</u>	<u>3</u>	<u>41,458</u>	<u>2</u>
Equity Attributable to Shareholders of the Parent					
Share capital	6(7) and 6(8)				
Common stock		1,499,936	101	1,489,959	76
Capital surplus	6(7), 6(8), 6(9) and 6(14)				
		1,804,890	121	1,634,249	83
Accumulated deficit	6(10) and 6(15)				
Accumulated deficit		(1,861,812)	(125)	(1,194,805)	(61)
Other equity		<u>847</u>	<u>-</u>	<u>(201)</u>	<u>-</u>
Total equity		<u>1,443,861</u>	<u>97</u>	<u>1,929,202</u>	<u>98</u>
Significant Contingent Liabilities and Unrecognized Contract Commitments	6(5), 6(11) and 9				
TOTAL LIABILITIES AND EQUITY		<u>\$ 1,488,100</u>	<u>100</u>	<u>\$ 1,970,660</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 13, 2015.

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE DATA)

Items	Notes	2014		2013	
		Amount	%	Amount	%
Operating Expenses	6(4), 6(5), 6(6), 6(7), 6(9), 6(13), 6(14), 6(17) and 7				
General and administrative expenses		(\$ 227,035)	(34)	(\$ 122,168)	(28)
Research and development expenses		(485,290)	(73)	(345,482)	(79)
Total operating expenses		(712,325)	(107)	(467,650)	(107)
Operating loss		(712,325)	(107)	(467,650)	(107)
Non-operating Income and Expenses					
Other income	6(3), 6(11) and 9	46,375	7	26,375	6
Other losses (gains)	6(12)	(1,057)	-	2,691	1
Total non-operating income and expenses		45,318	7	29,066	7
Consolidated Net Loss		(\$ 667,007)	(100)	(\$ 438,584)	(100)
Other Comprehensive Loss					
Financial statements translation differences of foreign operations		1,048	-	(201)	-
Total comprehensive loss for the year		(\$ 665,959)	(100)	(\$ 438,785)	(100)
Loss Per Share (in dollars)	6(16)				
Basic and diluted loss per share		(\$ 4.46)		(\$ 3.11)	

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 13, 2015.

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity Attributable to Shareholders of the Parent				Accumulated Deficit	Financial Statements Translation Differences of Foreign Operations	Total
		Common Stock	Share premium	Employee stock options	Others			
<u>2013</u>								
Balance at January 1, 2013		\$ 1,382,520	\$ 187,737	\$ 15,645	\$ 91	(\$ 756,221)	\$ -	\$ 829,772
Net loss for the year		-	-	-	-	(438,584)	-	(438,584)
Other comprehensive loss		-	-	-	-	-	(201)	(201)
Issuance of common stock	6(8)	94,937	1,405,063	-	-	-	-	1,500,000
	6(7), 6(8), 6(9)							
Share-based payment transactions	and 6(14)	12,502	15,651	7,258	2,804	-	-	38,215
Balance at December 31, 2013		<u>\$ 1,489,959</u>	<u>\$ 1,608,451</u>	<u>\$ 22,903</u>	<u>\$ 2,895</u>	<u>(\$ 1,194,805)</u>	<u>(\$ 201)</u>	<u>\$ 1,929,202</u>
<u>2014</u>								
Balance at January 1, 2014		\$ 1,489,959	\$ 1,608,451	\$ 22,903	\$ 2,895	(\$ 1,194,805)	(\$ 201)	\$ 1,929,202
Net loss for the year		-	-	-	-	(667,007)	-	(667,007)
Other comprehensive loss		-	-	-	-	-	1,048	1,048
	6(7), 6(8), 6(9)							
Share-based payment transactions	and 6(14)	9,977	4,825	165,816	-	-	-	180,618
Balance at December 31, 2014		<u>\$ 1,499,936</u>	<u>\$ 1,613,276</u>	<u>\$ 188,719</u>	<u>\$ 2,895</u>	<u>(\$ 1,861,812)</u>	<u>\$ 847</u>	<u>\$ 1,443,861</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 13, 2015.

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2014	2013
<u>Cash Flows from Operating Activities</u>			
Consolidated loss before tax for the year		(\$ 667,007)	(\$ 438,584)
Adjustments to reconcile consolidated loss before tax to net cash used in operating activities			
Income and expenses that result in non-cash flows			
Depreciation	6(4) and 6(13)	13,357	6,612
Amortization	6(5) and 6(13)	11,103	9,575
Interest income	6(11)	(16,145)	(6,234)
Compensation cost for share-based payment transactions	6(7), 6(9) and 6(14)	170,641	25,713
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Decrease in financial assets at fair value through profit or loss		-	269,965
Increase in other receivables		(2,026)	(439)
Decrease in prepayments		10,783	24,185
Increase in other current assets		(750)	-
Net changes in liabilities relating to operating activities			
Decrease in notes payable		(1,265)	-
Increase (decrease) in other payables		209	(1,226)
Increase in other current liabilities		738	43
Cash used in operations		(480,362)	(110,390)
Receipts of interest		16,145	6,234
Net cash used in operating activities		(464,217)	(104,156)
<u>Cash Flows from Investing Activities</u>			
Acquisition of available-for-sale financial assets		-	(22,500)
Acquisition of investments in bonds without active markets		-	(500,000)
Proceeds from disposal of investments in bonds without active markets		100,000	-
Acquisition of property, plant and equipment	6(4) and 6(18)	(19,445)	(28,766)
Increase in refundable deposits		(1,442)	(43,230)
Decrease in refundable deposits		349	14,855
Acquisition of intangible assets	6(5)	(329)	(3,000)
Increase in other non-current assets		(2,001)	(2,831)
Net cash provided by (used in) investing activities		77,132	(585,472)

(Continued)

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Financing Activities</u>			
Issuance of common stock	6(8)	\$ -	\$ 1,500,000
Receipt from exercise of employee stock options	6(7) and 6(8)	9,977	12,502
Net cash provided by financing activities		<u>9,977</u>	<u>1,512,502</u>
Effects due to changes in exchange rate		<u>1,056</u>	<u>(201)</u>
Decrease (Increase) in cash and cash equivalents		(376,052)	822,673
Cash and cash equivalents at beginning of the year		<u>1,273,011</u>	<u>450,338</u>
Cash and cash equivalents at end of the year		<u>\$ 896,959</u>	<u>\$ 1,273,011</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 13, 2015.

OBI PHARMA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(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 conducted the initial public offering in May 2012, and traded its shares on the Emerging Stock Market since December 12, 2012. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in conducting new drugs research.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures-Transfers of financial assets (amendment to IFRS 7)	July 1, 2011

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

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

A. IAS 1, 'Presentation of financial statements'

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

B. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. Also, the standard requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
 - a) Financial assets at fair value through profit or loss.
 - b) Available-for-sale financial assets measured at fair value.
- B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
 - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted

for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2014	December 31, 2013	
The Company	OBI Pharma Limited	Investing and trading	100.00	100.00	Note 1
The Company	OBI Pharma USA, Inc.	Biotechnology development	100.00	100.00	Note 2
OBI Pharma Limited	OBI Pharma (Shanghai) Limited	Biotechnology development	100.00	100.00	Note 1

Note 1: The subsidiary was established through investment in June 2013.

Note 2: The subsidiary was established with USD 1 through investment in April 2013, and completed the registration in August 2013.

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances:

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

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
 - (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
 - (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains and losses”.
- B. Translation of foreign operations:
- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
 - (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets:
- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be 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.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

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

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(9) Bond investments without active market

Bond investments without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(10) Impairment of financial assets - available-for-sale financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- (a) Significant financial difficulty of the issuer or debtor;
 - (b) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (c) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
 - (d) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, the amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

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

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item

will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Lab equipment	3~5 years
Office equipment	3~5 years
Leasehold improvements	4~5 years

(13) Leased assets/leases (lessee)

An operating lease is a lease that the lessor assumes substantially all the risks and rewards incidental to ownership of the leased asset. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(14) Intangible assets

A. Patent:

- (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.

B. Computer software:

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist

or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(16) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

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

(18) Offsetting financial instruments

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

(19) Employee benefits

A. Short-term employee benefits:

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

B. Pensions - Defined contribution plans:

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

C. Termination benefits:

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

D. Employees' bonus and directors' and supervisors' remuneration:

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the shareholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(20) Employee share-based payment

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

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor

taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures, to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(22) Dividends

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

(23) Government grants

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

(24) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are

continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

Financial assets-impairment of equity investments:

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

(2) Critical accounting estimates and assumptions

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

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

B. Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies’ recent fund raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks.

Please refer to Note 12(3) for the financial instruments fair value information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash on hand	\$ 60	\$ 40
Checking accounts and demand deposits	116,499	328,071
Time deposits	<u>780,400</u>	<u>944,900</u>
	<u>\$ 896,959</u>	<u>\$ 1,273,011</u>

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

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

(2) Available-for-sale financial assets

Items	December 31, 2014	December 31, 2013
Non-current item:		
Unlisted stocks	\$ 22,500	\$ 22,500

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

(3) Investments in bonds without active markets

Items	December 31, 2014	December 31, 2013
Non-current item:		
Time deposits	\$ 400,000	\$ 500,000

A. The Group recognized interest income of \$3,360 and \$351 for time deposits in profit or loss for the years ended December 31, 2014 and 2013, respectively.

B. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all investments in bonds without active markets.

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

(4) Property, plant and equipment

	Lab equipment	Office equipment	Leasehold improvements	Total
<u>At January 1, 2014</u>				
Cost	\$ 28,820	\$ 5,815	\$ 11,627	\$ 46,262
Accumulated depreciation	(4,258)	(3,692)	(5,088)	(13,038)
	<u>\$ 24,562</u>	<u>\$ 2,123</u>	<u>\$ 6,539</u>	<u>\$ 33,224</u>
<u>2014</u>				
At January 1	\$ 24,562	\$ 2,123	\$ 6,539	\$ 33,224
Additions	17,644	926	3,974	22,544
Reclassifications	2,831	-	-	2,831
Depreciation	(9,187)	(1,187)	(2,983)	(13,357)
Net exchange difference	(2)	(4)	(2)	(8)
At December 31	<u>\$ 35,848</u>	<u>\$ 1,858</u>	<u>\$ 7,528</u>	<u>\$ 45,234</u>
<u>At December 31, 2014</u>				
Cost	\$ 49,295	\$ 6,354	\$ 15,601	\$ 71,250
Accumulated depreciation	(13,447)	(4,496)	(8,073)	(26,016)
	<u>\$ 35,848</u>	<u>\$ 1,858</u>	<u>\$ 7,528</u>	<u>\$ 45,234</u>

	<u>Lab equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2013</u>				
Cost	\$ 6,847	\$ 5,178	\$ 7,099	\$ 19,124
Accumulated depreciation	(455)	(2,619)	(4,134)	(7,208)
	<u>\$ 6,392</u>	<u>\$ 2,559</u>	<u>\$ 2,965</u>	<u>\$ 11,916</u>
<u>2013</u>				
At January 1	\$ 6,392	\$ 2,559	\$ 2,965	\$ 11,916
Additions	21,366	637	6,763	28,766
Obsolescence	-	-	(1,453)	(1,453)
Reclassifications	607	-	-	607
Depreciation	(3,803)	(1,073)	(1,736)	(6,612)
At December 31	<u>\$ 24,562</u>	<u>\$ 2,123</u>	<u>\$ 6,539</u>	<u>\$ 33,224</u>
<u>At December 31, 2013</u>				
Cost	\$ 28,820	\$ 5,815	\$ 11,627	\$ 46,262
Accumulated depreciation	(4,258)	(3,692)	(5,088)	(13,038)
	<u>\$ 24,562</u>	<u>\$ 2,123</u>	<u>\$ 6,539</u>	<u>\$ 33,224</u>

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

(5) Intangible assets

	<u>License fee and know-how</u>						
	<u>OBI-822</u>	<u>OBI-858</u>	<u>OBI-833</u>	<u>OBI-868</u>			<u>Total</u>
	<u>Therapeutically metastatic breast cancer vaccines</u>	<u>Product development project of botulinum</u>	<u>Next- generation cancer vaccine</u>	<u>Reagent for cancer screening</u>	<u>Software</u>		
<u>At January 1, 2014</u>							
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 1,500	\$ -		\$133,435
Accumulated amortization	(51,516)	(7,857)	(69)	(69)	-		(59,511)
	<u>\$ 36,061</u>	<u>\$ 35,001</u>	<u>\$ 1,431</u>	<u>\$ 1,431</u>	<u>\$ -</u>		<u>\$ 73,924</u>
<u>2014</u>							
At January 1	\$ 36,061	\$ 35,001	\$ 1,431	\$ 1,431	\$ -		\$ 73,924
Additions	-	-	-	-	329		329
Reclassifications	-	-	-	-	4,595		4,595
Amortization (Note)	(5,151)	(4,287)	(219)	(506)	(940)		(11,103)
At December 31	<u>\$ 30,910</u>	<u>\$ 30,714</u>	<u>\$ 1,212</u>	<u>\$ 925</u>	<u>\$ 3,984</u>		<u>\$ 67,745</u>
<u>At December 31, 2014</u>							
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 1,500	\$ 4,924		\$138,359
Accumulated amortization	(56,667)	(12,144)	(288)	(575)	(940)		(70,614)
	<u>\$ 30,910</u>	<u>\$ 30,714</u>	<u>\$ 1,212</u>	<u>\$ 925</u>	<u>\$ 3,984</u>		<u>\$ 67,745</u>

	License fee and know-how				Total
	OBI-822 Therapeutically metastatic breast cancer vaccines	OBI-858 Product development project of botulinum	OBI-833 Next- generation cancer vaccine	OBI-868 Reagent for cancer screening	
<u>At January 1, 2013</u>					
Cost	\$ 87,577	\$ 42,858	\$ -	\$ -	\$ 130,435
Accumulated amortization	(46,364)	(3,572)	-	-	(49,936)
	<u>\$ 41,213</u>	<u>\$ 39,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,499</u>
<u>2013</u>					
At January 1	\$ 41,213	\$ 39,286	\$ -	\$ -	\$ 80,499
Additions	-	-	1,500	1,500	3,000
Amortization (Note)	(5,152)	(4,285)	(69)	(69)	(9,575)
At December 31	<u>\$ 36,061</u>	<u>\$ 35,001</u>	<u>\$ 1,431</u>	<u>\$ 1,431</u>	<u>\$ 73,924</u>
<u>At December 31, 2013</u>					
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 1,500	\$ 133,435
Accumulated amortization	(51,516)	(7,857)	(69)	(69)	(59,511)
	<u>\$ 36,061</u>	<u>\$ 35,001</u>	<u>\$ 1,431</u>	<u>\$ 1,431</u>	<u>\$ 73,924</u>

Note: Except for amortization of computer software which is recognized as “Operating expenses - management expenses”, amortization of other intangible assets is recognized as “Operating expenses – research and development expenses”.

A. The Company purchased patents named “OPT-822”, 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 main contract information is as follows:

- (a) The patent amounting to USD 6 million (approximately NT \$204 million) based on the appraisal report was acquired as intellectual property right through equity of 20,400 thousand shares.
- (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.
- (c) 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 cost of \$116,423 and accumulated amortization of \$33,957.

- B. In order to improve mass production and manufacturing process of OBI-822 for expanding global market, the Company has signed an exclusive patent license for chemosynthesis of carbohydrates with Academia Sinica on April 23, 2014, and the contract period is from April 23, 2014 to the expiration of protection duration of the last patented product. The Company must pay patent licensing fees and royalty fees in accordance with the contract. Except for royalty fees, the Company assesses whether to pay patent licensing fees based on 4 achieved milestones. The total contract amount was approximately \$60,000. As of December 31, 2014, the paid royalty fees amounted to \$20,000 (recorded as “Research and development expenses”).
- 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 based on external experts’ valuation.
- D. The Company acquired patents named “next-generation cancer vaccine” and “reagent for cancer screening”. The contract states that the Company must pay royalty fees based on the achieved milestones. In 2013, the Company paid the royalty fees of \$1,500 separately for both projects. Furthermore, the Company must pay royalty fees based on a certain percentage of the sales of patented products annually.
- E. The Group has no intangible assets pledged to others.

(6) Pension

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The Company’s subsidiaries have a defined contribution pension plan. The pension costs under the defined contribution pension plans of the Group were \$7,360 and \$4,568 for the years ended December 31, 2014 and 2013, respectively.

(7) Share-based payment

- 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:

Type of agreement	Grant date	No. of units	Subscription		Weighted-average remaining contract period (years)
			share per unit	Vested conditions	
Employee stock option plan	2010.03.08	2,360,000	1	One year after grant, employees can exercise options monthly at a certain percentage	5.19
"	2010.05.21	100,000	1	"	5.39
"	2010.09.10	60,000	1	"	5.69
"	2010.12.15	144,000	1	"	5.96
"	2011.01.01	588,000	1	"	6.00
"	2011.03.30	80,000	1	"	6.25
"	2011.06.10	124,000	1	"	6.44
"	2011.09.30	260,000	1	"	6.75
"	2011.12.16	2,450,000	1	"	6.96
"	2012.01.01	1,560,000	1	"	7.00
"	2012.03.09	270,000	1	"	7.19
"	2013.11.27	1,821,000	1	Two years after grant, employees can exercise options monthly at a certain percentage	8.91
"	2014.02.21	1,744,000	1	"	9.14
"	2014.03.26	575,000	1	"	9.23
Cash capital increase reserved for employee subscription	2013.07.26	839,514	1	Vested immediately	-

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

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

	Years ended December 31,			
	2014		2013	
	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	5,646,920	\$ 86.56	5,203,715	\$ 10.00
Options granted	2,319,000	217.69	1,821,000	247.40
Options abandoned	-	-	(127,501)	10.00
Options exercised	(997,667)	10.00	(1,250,294)	10.00
Options forfeited or expired	(461,001)	174.30	-	-
Options outstanding at end of the year	<u>6,507,252</u>	138.81	<u>5,646,920</u>	86.56
Options exercisable at end of the year	<u>1,759,042</u>		<u>1,612,961</u>	
Options authorized but not granted at end of the year	<u>564,000</u>		<u>2,883,000</u>	
Options expired	<u>-</u>		<u>-</u>	

- C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2014 and 2013 was \$320.57 and \$167.8 (in dollars), respectively.
- D. As of December 31, 2014 and 2013, the range of exercise prices of stock options outstanding were both \$10~\$247.4 (in dollars).
- E. The fair value of stock options is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of agreement	Grant date	Exercise price per share (in dollars)	Expected volatility (Note)	Expected option life	Expected dividend yield	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock option plan	2010.03.08	\$ 10.0	44.23%	10 years	0%	1.42%	\$ 3.16
"	2010.05.21	10.0	44.23%	10 years	0%	1.42%	3.16
"	2010.09.10	10.0	44.23%	10 years	0%	1.42%	3.16
"	2010.12.15	10.0	44.23%	10 years	0%	1.42%	3.16
"	2011.01.01	10.0	41.62%	10 years	0%	1.51%	4.98
"	2011.03.30	10.0	41.62%	10 years	0%	1.51%	4.98
"	2011.06.10	10.0	41.62%	10 years	0%	1.51%	4.98
"	2011.09.30	10.0	40.94%	10 years	0%	1.29%	3.21
"	2011.12.16	10.0	40.94%	10 years	0%	1.29%	3.21
"	2012.01.01	10.0	40.83%	10 years	0%	1.22%	5.21
"	2012.03.09	10.0	40.83%	10 years	0%	1.22%	5.21
"	2013.11.27	247.4	49.72%	10 years	0%	1.44%	128.42
"	2014.02.21	214.4	47.62%	10 years	0%	1.34%	114.80
"	2014.03.26	227.6	46.54%	10 years	0%	1.38%	97.07
Cash capital increase reserved for employee subscription	2013.07.26	158.0	18.68%	0.125 years	0%	0.87%	14.02

Note: Expected price volatility rate was estimated by using the average price volatility of similar listed and OTC companies within appropriate period and the Company's historical transaction data since its shares traded on the Emerging Stock Market.

- F. For the years ended December 31, 2014 and 2013, the Company recognized employee stock option plan compensation expense of \$170,641 and \$25,713, respectively.

(8) Share capital

- A. The Board of Directors of the Company on May 24, 2013 adopted a resolution to increase capital by issuing 9,493,671 shares of new common stock with a par value of \$158 (in dollars) per share. The increased capital have been collected and registered with the authority.
- B. After the capital increases, as of December 31, 2014, the Company's authorized capital was \$3,000,000, consisting of 300 million shares of ordinary stock (including 24 million shares reserved for employee stock options), and the outstanding capital was \$1,499,936 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2014	2013
At January 1	148,995,917	138,251,952
Employee stock options exercise	997,667	1,250,294
Cash capital increase	-	9,493,671
At December 31	<u>149,993,584</u>	<u>148,995,917</u>

C. On December 12, 2014, the Board of Directors has resolved to increase capital by issuing new shares for initial public offering. The ordinary shares to be issued is 20 million shares with \$10 (in dollars) par value per share, the issuance price is temporarily set as \$310 and capital expected to be collected is \$6,200,000. On January 16, 2015, the Taipei Exchange approved the capital increase. However, as of March 13, 2015, the shares have not yet been issued.

(9) Capital surplus

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

	2014		
	Share premium	Employee stock options	Others
At January 1	\$ 1,608,451	\$ 22,903	\$ 2,895
Employee stock options exercised	4,825	(4,825)	-
Employee stock options compensation cost	-	170,641	-
At December 31	<u>\$ 1,613,276</u>	<u>\$ 188,719</u>	<u>\$ 2,895</u>

	2013		
	Share premium	Employee stock options	Others
At January 1	\$ 187,737	\$ 15,645	\$ 91
Cash capital increase	1,405,063	-	-
Employee stock options exercised	15,651	(15,651)	-
Employee stock options compensation cost	-	25,713	-
Employee stock options expired	-	(2,804)	2,804
At December 31	<u>\$ 1,608,451</u>	<u>\$ 22,903</u>	<u>\$ 2,895</u>

(10) Accumulated deficit

- A. According to the Company's Articles of Incorporation, the annual net income, after paying all taxes, covering prior years' losses, setting aside 10% as legal reserve and appropriating an amount 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 2% as employees' bonuses;
 - (c) The remaining earnings plus the undistributed earnings, if any, may be appropriated according to a resolution adopted in the shareholders' meeting.
- B. The Company is facing a capital intensive industrial environment, with the life cycle of the industry 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 fund 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. As resolved by the Board of Directors on March 13, 2015, no appropriations were made due to the accumulated deficit. Movement of the Company's accumulated deficit is as follows:

	<u>2014</u>
Accumulated deficit at beginning of the year	(\$ 1,194,805)
Net loss in 2014	(667,007)
Accumulated deficit at end of the year	<u>(\$ 1,861,812)</u>

- E. No employees' bonuses and directors' and supervisors' remuneration were recognized for the years ended December 31, 2014 and 2013. 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 shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(11) Other income

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Government grants	\$ 30,169	\$ 17,884
Interest income from bank deposits	16,145	6,234
Others	61	2,257
	<u>\$ 46,375</u>	<u>\$ 26,375</u>

The Company obtained government grants for OBI-822 (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. The contract period is 2012.7.1~2015.6.30 and contract grant is \$75,128. The Company recognized government grants of \$30,169 and \$17,884 based on the development process for the years ended December 31, 2014 and 2013, respectively.

Under the contract, the Company is subject to a sponsorship requirement to pay 5% of license-out revenue as payback and donation up to \$150,256.

(12) Other gains and losses

	Years ended December 31,	
	2014	2013
Net gain on financial assets at fair value through profit or loss	\$ -	\$ 2,557
Net currency exchange (loss) gain	(1,019)	1,591
Other net losses	(38)	(1,457)
	<u>(\$ 1,057)</u>	<u>\$ 2,691</u>

(13) Expenses by nature

	Years ended December 31,	
	2014	2013
Employee benefit expenses	\$ 310,733	\$ 117,251
Clinical trials expenses	191,652	167,276
Clinical material expenses	54,506	47,987
License fee	20,751	22,406
Rental expenses	14,198	8,353
Consulting and service fee	54,336	50,333
Depreciation charges on property, plant and equipment	13,357	6,612
Amortization charges on intangible assets	11,103	9,575
Other expenses	41,689	37,857
	<u>\$ 712,325</u>	<u>\$ 467,650</u>

(14) Employee benefit expense

	Years ended December 31,	
	2014	2013
	Operating expense	Operating expense
Wages and salaries	\$ 120,149	\$ 79,748
Employee stock options	170,641	25,713
Labor and health insurance fees	6,808	5,027
Pension costs	7,360	4,568
Other personnel expenses	5,775	2,195
	<u>\$ 310,733</u>	<u>\$ 117,251</u>

The Group had 82 and 67 employees as of December 31, 2014 and 2013, respectively.

(15) Income tax

A. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2014	2013
Tax calculated based on loss before tax and statutory tax rate	(\$ 113,347)	(\$ 74,559)
Effects from items disallowed by tax regulation	1,978	(95)
Effect from unrecognized deferred tax assets	111,369	74,654
Tax expense	<u>\$ -</u>	<u>\$ -</u>

B. The details of unused investment tax credits under the Act for the Development of Biotech and New Pharmaceuticals Industry are as follows:

December 31, 2014		
Qualifying items	Unused tax credits	Unrecognized deferred tax assets
Research and development	<u>\$ 285,873</u>	<u>\$ 285,873</u>

December 31, 2013		
Qualifying items	Unused tax credits	Unrecognized deferred tax assets
Research and development	<u>\$ 195,107</u>	<u>\$ 195,107</u>

The unused tax credits can offset the current income tax payable for the next 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.

C. Expiration dates of unused net operating loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2014

Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiration
2005	Amount assessed	\$ 14,520	\$ 14,520	2015
2006	Amount assessed	19,409	19,409	2016
2007	Amount assessed	22,592	22,592	2017
2008	Amount assessed	154,355	154,355	2018
2009	Amount assessed	7,557	7,557	2019
2010	Amount assessed	92,437	92,437	2020
2011	Amount assessed	116,457	116,457	2021
2012	Amount assessed	239,902	239,902	2022
2013	Amount filed	409,450	409,450	2023
2014	Amount filed	623,068	623,068	2024

December 31, 2013

Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiration
2004	Amount assessed	\$ 28,141	\$ 28,141	2014
2005	Amount assessed	14,520	14,520	2015
2006	Amount assessed	19,409	19,409	2016
2007	Amount assessed	22,592	22,592	2017
2008	Amount assessed	154,355	154,355	2018
2009	Amount assessed	7,557	7,557	2019
2010	Amount assessed	92,437	92,437	2020
2011	Amount assessed	116,457	116,457	2021
2012	Amount filed	253,837	253,837	2022
2013	Amount filed	425,902	425,902	2023

D. The Tax Authority has examined the Company's income tax returns through 2012.

E. Accumulated deficit:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deficit generated in and after 1998	(\$ 1,861,812)	(\$ 1,194,805)

F. As of December 31, 2014 and 2013, the balance of the imputation credit account was \$0, and no earnings can be distributed.

(16) Loss per share

	<u>Year ended December 31, 2014</u>		
	<u>Amount after tax</u>	<u>Weighted-average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss per share</u>			
Net loss	(\$ 667,007)	149,572	(\$ 4.46)

	Year ended December 31, 2013		
	Amount after tax	Weighted-average number of ordinary shares outstanding	Loss per share
			(shares in thousands)
<u>Basic and diluted loss per share</u>			
Net loss	(\$ 438,584)	140,953	(\$ 3.11)

Note: The potential ordinary shares will cause the anti-dilutive effect due to net loss in 2014 and 2013, so the basic loss per share is the same as the diluted loss per share.

(17) Operating leases

The Group leases offices under non-cancellable operating lease agreements. As of December 31, 2014 and 2013, the Group recognized rental expenses of \$14,198 and \$8,353, respectively. Information about the future aggregate minimum lease payments under non-cancellable operating leases are disclosed in Note 9.

(18) Non-cash transaction

Investing activities with partial cash payments

	Years ended December 31,	
	2014	2013
Acquisition of property, plant and equipment	\$ 22,544	\$ 28,766
Less: ending balance of payables	(3,099)	-
	<u>\$ 19,445</u>	<u>\$ 28,766</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company was controlled by Optimer Pharmaceuticals, Inc. (registered in the United States) before October 2012. However, due to change in equity structure, as of December 31, 2014, Ruentex Financial Group holds 30% of the Company's shares and the remaining shares are publicly held. Accordingly, the Company does not have an ultimate parent company or controlling party.

(2) Significant related party transactions

None.

(3) Key management compensation

	Years ended December 31,	
	2014	2013
Salaries and other short-term employee benefits	\$ 55,477	\$ 35,711
Post-employment benefits	2,000	-
Share-based payments	110,236	4,599
	<u>\$ 167,713</u>	<u>\$ 40,310</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	
Other current assets	\$ -	\$ 9,900	Deposits for import duty bank loan
Other non-current assets	13,274	34,651	Deposits for import duty bank loan, clinical trial agreement and rental deposit, etc.
	<u>\$ 13,274</u>	<u>\$ 44,551</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

In addition to those disclosed in Notes 6(5) and 6(11), the Company entered into operating lease contracts for its offices. Future lease payments under those leases as of December 31, 2014 were as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 9,765
2016	1,223
2017	742
	<u>\$ 11,730</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(8) for related information.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern through maintaining an optimal capital structure to reduce the cost of capital, and to provide returns for shareholders after the Company turns around from loss to profit. In order to maintain or adjust the capital structure, the Group may increase capital by cash and sell assets to pay off debts or increase operating capital, adjust the amount of dividends paid to shareholders or capital reduction, etc. The Group monitors capital on the basis of the Debt/Equity ratio. The ratio was calculated by the "Net debt" divided by the "Total equity". The "Net debt" is the "Total liability" less cash and cash equivalents, and the "Total equity" is the same as the consolidated balance sheet. During 2014, the Group's strategy was to maintain the ratio within reasonable security range, which was unchanged from 2013. The ratios are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Total liability	\$ 44,239	\$ 41,458
Less: cash and cash equivalents	<u>896,959</u>	<u>1,273,011</u>
Net debt	<u>(\$ 852,720)</u>	<u>(\$ 1,231,553)</u>
Total equity	<u>\$ 1,443,861</u>	<u>\$ 1,929,202</u>

(2) Financial instruments

A. Fair value information of financial instruments

The carrying values of the Group's financial instruments measured at non fair value (including cash and cash equivalents, other receivables, notes payable and other payables) are reasonably approximate to the fair values. Please refer to Note 12(3) for the fair value information of financial instruments measured at fair value.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

A. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

B. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

C. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

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

December 31, 2014						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis			
			Extent of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets -</u>						
<u>Monetary items</u>						
USD:NTD	\$ 685	31.65	\$ 21,680	1%	\$ 217	\$ -
RMB:NTD	207	5.09	1,054	1%	11	-
<u>Financial liability -</u>						
<u>Monetary items</u>						
USD:NTD	132	31.65	4,198	1%	42	-

December 31, 2013						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis			
			Extent of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets -</u>						
<u>Monetary items</u>						
USD:NTD	\$ 1,656	29.81	\$ 49,357	1%	\$ 494	\$ -
RMB:NTD	253	4.92	1,245	1%	12	-
<u>Financial liability -</u>						
<u>Monetary items</u>						
USD:NTD	526	29.81	15,804	1%	158	-

Price risk

- A. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The prices of the Group's investments in equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity would have both increased/decreased by \$225 as a result of gains/losses on equity securities classified as available-for-sale.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the counterparties of financial instruments on the contract obligations. Credit risk arises from deposits in banks and financial institutions, as well as credit exposures to associated research agencies, including outstanding receivables and committed transactions. For banks and financial institutions, only those with the stable credit quality are accepted.
- ii Management does not expect any significant losses from non-performance by these counterparties.

(c) Liquidity risk

- i. Cash flow forecasting is performed by Group treasury to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational and R&D needs. Such forecasting is in compliance with internal R&D project schedule targets.
- ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2014 and 2013, the Group held bonds and funds of \$400,000 and \$500,000, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	December 31, 2014				
	Less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year	Total
Non-derivative financial liabilities:					
Other payables	\$ 24,856	\$ 6,186	\$ 12,410	\$ -	\$ 43,452

	December 31, 2013				
	Less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year	Total
Non-derivative financial liabilities:					
Notes payable	\$ 718	\$ 205	\$ 342	\$ -	\$ 1,265
Other payables	3,491	4,022	32,631	-	40,144

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2014 and 2013:

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Equity securities	\$ -	\$ -	\$ 22,500	\$ 22,500
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Equity securities	\$ -	\$ -	\$ 22,500	\$ 22,500

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

C. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E. Specific valuation techniques used to value financial instruments include:

(a) Quoted market prices or dealer quotes for similar instruments.

(b) Other techniques, such as expected future discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

F. No changes in level 3 instruments as at December 31, 2014 and 2013.

13. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry, new drug research. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

A. The chief operating decision-maker evaluates the performance of the operating segments based on income before tax. The significant accounting policies and estimates of the operating segment and the accounting policies, estimates and assumptions described in Notes 4 and 5 of the consolidated financial statements are the same.

B. The financial information reported to the chief operating decision-maker and the financial information of the consolidated statements of comprehensive income are the same.

(3) Geographical information

Geographical information for the years ended December 31, 2014 and 2013 is as follows:

	Years ended December 31,			
	2014		2013	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ -	\$ 126,793	\$ -	\$ 144,183
Others	-	1,462	-	447
	<u>\$ -</u>	<u>\$ 128,255</u>	<u>\$ -</u>	<u>\$ 144,630</u>

The above non-current assets included property, plant and equipment, intangible assets and other non-current assets, which are categorized based on their location.