OBI PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

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

資誠

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of OBI PHARMA, INC. and subsidiaries (the "Group") as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations 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.

Basis for opinion

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 (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

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Key audit matter- Existence of working capital

Description

Please refer to Notes 4(6) and 4(8) of the consolidated financial statements for accounting policies applied to working capital, and Notes 6(1) and 6(3) of the consolidated financial statements for details of account items.

As of December 31, 2017, cash and cash equivalents and investments in debt instruments without active market-current amounted to NT$2,555,275 thousand and NT$2,022,658 thousand, respectively.

As of December 31, 2017, total amounts of cash and cash equivalents and investments in debt instruments without active market (including current and non-current assets) accounted for 88% of the Group's total assets. Thus, we consider the existence of working capital a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Inspected the bank statements, bankbooks, and online banking information to ensure the deposits belong to the Group.
2. Sent bank confirmation letters to determine existence and obligations of working capital.
3. Verified the contact information of the bank is true and correct.
4. Reviewed and tested the mathematical accuracy of bank reconciliation statements, agreed the balance with the balance per cash book, identified any unusual or significant items and ensured that these are properly disposed of.
5. Inspected the general ledger of temporary debit (credit) and other receivables (payables) to ensure there is no lending or borrowing.
6. Selected samples of material cash transactions and checked whether the transactions were incurred for operational needs.

Key audit matter- Impairment assessment of intangible assets

Description

Please refer to Note 4(14) of the consolidated financial statements for accounting policies on impairment assessment of non-financial assets, Note 5(1) of the consolidated financial statements for critical judgements in applying the Group's accounting policies on impairment intangible assets, and Note 6(5) of the consolidated financial statements for details of account items.

As of December 31, 2017, the carrying value of intangible asset of the Group amounted to NT$127,266 thousand. The intangible asset pertains to the intellectual property acquired from another company for research and development of new drugs.

Since the drug is still under development, no cash inflow can be generated. As of the balance sheet date, the Group considers external and internal information in determining whether the intangible asset is impaired. The Group would then consider to recognise an impairment loss by comparing the recoverable amount if the intangible asset was deemed to be impaired. Since the impairment assessment performed by management involves critical judgement and may have significant impacts on the value of intangible assets, we consider impairment assessment of intangible asset a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Inspected the transfer documents of intangible assets, which were acquired separately, in order to confirm they were appropriately recognised at initial recognition, and verified whether the assessment on useful life made by management is reasonable.

2. Reviewed the information used by the Group's management for impairment assessment of intangible asset including plan and progress for each development project, etc., conducted discussion with management and director of research and development department regarding the information used for impairment assessment of intangible asset, and assessed whether:

   (1) The features, marketing advantages and market tendency of the major research and development technology are still competitive.

   (2) The progress of the major research and development plan has no significant delay.

   (3) The specifications and quality of the research and development results comply with the local standards and regulations.

   (4) The total market value of the company is higher than the net assets as of the balance sheet date.

Key audit matter- Valuation of employee share-based payment

Description

Please refer to Note 4(18) of the consolidated financial statements for accounting policies applied to employee share-based payment, and Note 6(8) of the consolidated financial statements for details of account items.

The compensation cost of employee share-based payment recognised for 2017 amounted to NT$263,668 thousand, which accounted for 19% of the Group's net loss for 2017. The accrual of these transactions require the use of valuation model; thus, we consider the valuation of employee share-based payment a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained actuarial valuation report regarding employee share-based payment from external experts, and performed the following procedures regarding critical assumptions and estimates used in the actuarial valuation from external experts:

   (1) Checked whether the Group made reasonable estimates based on inputs such as expected dividend rate, expected option life, price volatility, and risk-free interest rate as of the option grant date.

   (2) Recalculating accrued expense for 2017 based on the fair value of share option.

2. Assessed the reasonableness of recognition in accordance with the valuation report of the employee share-based payment.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of OBI PHARMA, INC. as at and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparations 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audrey Tseng | Chang, Ming-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,555,275	49	$ 1,414,078	22
1147	Investments in debt instruments without active markets - current	6(3)	2,022,658	39	2,359,611	37
1170	Accounts receivable, net		103	-	-	-
1200	Other receivables		60,430	1	40,789	1
1410	Prepayments		75,054	2	65,072	1
11XX	**Total current assets**		4,713,520	91	3,879,550	61
	Non-current assets					
1523	Available-for-sale financial assets - non-current	6(2)	10,160	-	27,181	-
1546	Investments in debt instruments without active markets - non-current	6(3)	-	-	2,111,569	33
1600	Property, plant and equipment, net	6(4) and 7	234,645	5	226,648	4
1780	Intangible assets, net	6(5)	127,266	2	46,462	1
1900	Other non-current assets	7 and 8	104,438	2	36,667	1
15XX	**Total non-current assets**		476,509	9	2,448,527	39
1XXX	**Total assets**		$ 5,190,029	100	$ 6,328,077	100

(Continued)

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2200	Other payables		$ 51,540	1	$ 84,531	2
2220	Other payables to related parties	7	5,622	-	185	-
2230	Current income tax liabilities		434	-	606	-
2320	Long-term liabilities, current portion	6(6)	9,997	-	10,140	-
2399	Other current liabilities		1,060	-	1,995	-
21XX	**Total current Liabilities**		68,653	1	97,457	2
	Non-current liabilities					
2540	**Long-term borrowings**	6(6)	61,003	1	69,860	1
2XXX	**Total liabilities**		129,656	2	167,317	3
	Equity attributable to owners of parent					
	Share capital	6(9)				
3110	Share capital - common stock		1,721,657	33	1,716,119	27
3200	**Capital surplus**	6(8)(10)	9,037,381	174	8,743,211	138
	Retained earnings	6(11)				
3350	Accumulated deficit		(5,292,713)	(102)	(3,913,277)	(62)
3400	**Other equity interest**	6(2)	(19,231)	-	1,428	-
3500	**Treasury shares**	6(9)	(386,721)	(7)	(386,721)	(6)
3XXX	**Total equity**		5,060,373	98	6,160,760	97
	Significant Contingent Liabilities and Unrecognised Contract Commitments	6(5) and 9				
	Significant Events after the Balance Sheet Date	11				
3X2X	**Total liabilities and equity**		$ 5,190,029	100	$ 6,328,077	100

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)

	Items	Notes	2017 AMOUNT	2017 %	2016 AMOUNT	2016 %
4000	**Operating revenue**	6(12)	$ 376	-	$ 92,422	9
5000	**Operating costs**		-	-	-	-
5900	**Gross profit**		376	-	92,422	9
	Operating expenses	6(4)(5)(7)(8)(16)(17)(20) and 7				
6200	Administrative expenses		(341,289)	(25)	(345,412)	(31)
6300	Research and development expenses		(848,729)	(61)	(859,480)	(78)
6000	**Total operating expenses**		(1,190,018)	(86)	(1,204,892)	(109)
6900	**Operating loss**		(1,189,642)	(86)	(1,112,470)	(100)
	Non-operating income and expenses					
7010	Other income	6(3)(13)	57,900	4	84,480	7
7020	Other losses	6(14)	(244,513)	(18)	(79,421)	(7)
7050	Finance costs	6(15)	(1,202)	-	(213)	-
7000	**Total non-operating income and expenses**		(187,815)	(14)	4,846	-
7900	**Loss before tax**		(1,377,457)	(100)	(1,107,624)	(100)
7950	Income tax expense	6(18)	(1,979)	-	(2,504)	-
8200	**Loss for the year**		($ 1,379,436)	(100)	($ 1,110,128)	(100)
	Other comprehensive loss, net					
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		($ 3,638)	(1)	($ 1,128)	-
8362	Unrealised loss on valuation of available-for-sale financial assets	6(2)	(17,021)	(1)	-	-
8300	**Other comprehensive loss for the year, net**		($ 20,659)	(2)	($ 1,128)	-
8500	**Total comprehensive loss for the year**		($ 1,400,095)	(102)	($ 1,111,256)	(100)
	Loss per share (in dollars)	6(19)				
9750	**Basic and diluted loss per share**		($ 8.06)		($ 6.51)	

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent								
			Capital Surplus				Other equity interest			
	Notes	Share capital - common stock	Additional paid-in capital	Employee stock warrants	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Unrealised gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
2016										
Balance at January 1, 2016		$1,707,200	$7,720,531	$ 467,007	$ 89,847	($2,803,149)	$ 2,556	$ -	$ -	$7,183,992
Net loss for the year		-	-	-	-	(1,110,128)	-	-	-	(1,110,128)
Other comprehensive loss for the year		-	-	-	-	-	(1,128)	-	-	(1,128)
Repurchase of treasury shares	6(9)	-	-	-	-	-	-	-	(386,721)	(386,721)
Share-based payment transactions	6(8)(9)(10)(17)	8,919	241,518	224,308	-	-	-	-	-	474,745
Balance at December 31, 2016		$1,716,119	$7,962,049	$ 691,315	$ 89,847	($3,913,277)	$ 1,428	$ -	($ 386,721)	$6,160,760
2017										
Balance at January 1, 2017		$1,716,119	$7,962,049	$ 691,315	$ 89,847	($3,913,277)	$ 1,428	$ -	($ 386,721)	$6,160,760
Net loss for the year		-	-	-	-	(1,379,436)	-	-	-	(1,379,436)
Other comprehensive loss for the year		-	-	-	-	-	(3,638)	(17,021)	-	(20,659)
Share-based payment transactions	6(8)(9)(10)(17)	5,538	49,122	245,048	-	-	-	-	-	299,708
Balance at December 31, 2017		$1,721,657	$8,011,171	$ 936,363	$ 89,847	($5,292,713)	($ 2,210)	($ 17,021)	($ 386,721)	$5,060,373

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 1,377,457)	($ 1,107,624)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(4)(16)	52,503	34,440
Amortisation	6(5)(16)	14,768	10,988
Interest expense	6(15)	1,202	213
Interest income	6(13)	(57,748)	(61,636)
Gain on disposal of property, plant, and equipment	6(14)	-	(2)
Compensation cost for share-based payment transactions	6(8)(10)(17)	263,668	308,952
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		(103)	-
Other receivables		(3,360)	(2,545)
Prepayments		(9,982)	(22,473)
Changes in operating liabilities			
Other payables		(32,998)	33,086
Other payables to related parties		5,437	(6,285)
Advance receipts		-	(64,580)
Other current liabilities		(935)	1,039
Cash outflow generated from operations		(1,145,005)	(876,427)
Interest paid		(1,202)	(213)
Interest received		41,467	38,522
Income tax paid		(2,151)	(1,978)
Net cash flows used in operating activities		(1,106,891)	(840,096)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		-	(4,681)
Acquisition of investments in debt instruments without active markets		-	(1,751,020)
Proceeds from disposal of investments in debt instruments without active markets		2,448,522	2,042,003
Acquisition of property, plant and equipment	6(21)	(56,462)	(183,245)
Proceeds from disposal of property, plant, and equipment		-	2
Acquisition of intangible assets	6(21)	(95,932)	(107)
Decrease in refundable deposits		1,107	1,187
Increase in other non-current assets		(72,577)	(8,537)
Net cash flows from investing activities		2,224,658	95,602
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		-	80,000
Repayment of long-term borrowings		(9,000)	-
Exercise of employee stock options	6(8)(9)	36,040	165,793
Repurchase of treasury shares	6(9)	-	(386,721)
Net cash flows from (used in) financing activities		27,040	(140,928)
Effects due to changes in exchange rate		(3,610)	(1,048)
Net increase (decrease) in cash and cash equivalents		1,141,197	(886,470)
Cash and cash equivalents at beginning of year		1,414,078	2,300,548
Cash and cash equivalents at end of year		$ 2,555,275	$ 1,414,078

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

OBI PHARMA, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars,
except as otherwise indicated)

1. HISTORY AND ORGANISATION

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 of the Taipei Exchange (formerly named GreTai Securities Market) since March 23, 2015. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in new drugs research.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 9, 2018.

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")

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21,'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with Customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for IFRS 9, 'Financial instruments' the above standards and interpretations have no significant impact to the Group's financial condition and financial performance on the Group's assessment.

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

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

A. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amount of $10,160 and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose by increasing financial assets at fair value through other comprehensive income in the amount of $10,160.

B. In accordance with IFRS 9, the Group expects to reclassify investments in debt instruments without active market of $2,022,658 by increasing financial assets at amortised cost in the amount of $2,022,658.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for IFRS 16, 'Leases' the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The quantitative impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, 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 available-for-sale financial assets measured at fair value, these consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in comformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement 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 structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised 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) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised 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 recognised 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 and movements for the period are as follows:

			Ownership (%)	
Name of investor	Name of subsidiary	Main business activities	December 31, 2017	December 31, 2016
The Company	OBI Pharma Limited	Investing and trading	100.00	100.00
The Company	OBI Pharma USA, Inc.	Biotechnology development	100.00	100.00
OBI Pharma Limited	OBI Pharma (Shanghai) Limited	Biotechnology development	100.00	100.00

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

(c) 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 recognised 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 recognised 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

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:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(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 realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

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

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle 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 settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled 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) 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 recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised 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 recognised in other comprehensive income.

(8) Loans and receivables

A. Accounts receivable

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

B. Investments in debt instruments without active markets

Investments in debt instruments without active markets 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.

(9) 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 amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) <u>Derecognition of financial assets</u>

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

(11) <u>Property, plant and equipment</u>

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. 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:

Buildings and structures	50 years
Lab equipment	3~5 years
Office equipment	3~5 years
Leasehold improvements	3~5 years

(12) Operating 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 recognised in profit or loss on a straight-line basis over the lease term.

(13) Intangible assets

A. Patent and acquired special technology:

(a) Patents acquired in intellectual property right as equity are recognised at fair value at the acquisition date, and amortised on a straight-line basis over their estimated useful lives of 17 years.

(b) Patents acquired in cash are stated at cost and amortised on a straight-line basis over their estimated useful lives of 2 to 10 years.

B. Computer software

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

(14) Impairment of non-financial assets

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

(15) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(16) Derecognition of financial liabilities

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

(17) Employee benefits

A. Short-term employee benefits

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

B. Pensions - Defined contribution plans

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

C. Employees' compensation and directors' and supervisors' remuneration

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

(18) 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 recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(19) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its 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 recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. 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 realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred 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 recognised amounts and there is an intention to settle on a net basis or realise 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 realise the asset and settle the liability simultaneously.

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

(20) <u>Share capital</u>

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

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

(21) <u>Revenue recognition</u>

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

A. Royalties are fixed or cannot be refunded.

B. Contracts are irrevocable.

C. Franchisee has the latitude in dealing with related license.

D. Franchisor has no other obligation after giving the license.

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

(22) 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

A. 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.

B. Impairment on intangible assets (excluding goodwill)

In accordance with IAS 36, the Group determines whether an intangible asset (excluding goodwill) may be impaired requiring significant judgements. The Group assesses whether there is any indication for impairment based on internal and external information, including the plan and progress of research and development project and the prospect of such technology.

(2) Critical accounting estimates and assumptions

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, fair value assessment of other companies of the same type, technical development status, 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

	December 31, 2017	December 31, 2016
Cash on hand	$ 100	$ 100
Checking accounts and demand deposits	233,016	379,359
Time deposits	2,322,159	1,034,619
	$ 2,555,275	$ 1,414,078

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

(2) Available-for-sale financial assets

Items	December 31, 2017	December 31, 2016
Non-current item:		
Unlisted stocks	$ 27,181	$ 27,181
Adjustments for change in value of available-for-sale financial assets	(17,021)	-
	$ 10,160	$ 27,181

A. The Group recognised $17,021 and $0 in other comprehensive income for fair value change for the years ended December 31, 2017 and 2016, respectively.

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

(3) Investments in debt instruments without active markets

Items	December 31, 2017	December 31, 2016
Current item		
Time deposits	$ 2,022,658	$ 2,359,611
Non-current item:		
Time deposits	-	2,111,569
	$ 2,022,658	$ 4,471,180

A. The Group recognised interest income of $22,751 and $48,430 for time deposits with maturity over 1 year in profit or loss for the years ended December 31, 2017 and 2016, respectively.

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

(4) Property, plant and equipment

	Land	Buildings and structures	Lab equipment	Office equipment	Leasehold improvements	Total
At January 1, 2017						
Cost	$ 87,514	$ 14,996	$ 158,484	$ 16,138	$ 27,706	$ 304,838
Accumulated depreciation	-	(75)	(55,248)	(8,494)	(14,373)	(78,190)
	$ 87,514	$ 14,921	$ 103,236	$ 7,644	$ 13,333	$ 226,648
2017						
At January 1	$ 87,514	$ 14,921	$ 103,236	$ 7,644	$ 13,333	$ 226,648
Additions	-	11,822	31,309	4,453	9,245	56,829
Reclassifications (Note 1)	-	-	3,699	-	-	3,699
Depreciation	-	(1,614)	(41,668)	(3,484)	(5,737)	(52,503)
Net exchange differences	-	-	(14)	(15)	1	(28)
At December 31	$ 87,514	$ 25,129	$ 96,562	$ 8,598	$ 16,842	$ 234,645
At December 31, 2017						
Cost	$ 87,514	$ 26,818	$ 193,459	$ 19,591	$ 36,939	$ 364,321
Accumulated depreciation	-	(1,689)	(96,897)	(10,993)	(20,097)	(129,676)
	$ 87,514	$ 25,129	$ 96,562	$ 8,598	$ 16,842	$ 234,645

	Land	Buildings and structures	Lab equipment	Office equipment	Leasehold improvements	Total
At January 1, 2016						
Cost	$ -	$ -	$ 84,045	$ 9,787	$ 25,581	$ 119,413
Accumulated depreciation	-	-	(29,141)	(6,220)	(9,118)	(44,479)
	$ -	$ -	$ 54,904	$ 3,567	$ 16,463	$ 74,934
2016						
At January 1	$ -	$ -	$ 54,904	$ 3,567	$ 16,463	$ 74,934
Additions	87,514	14,996	70,627	5,285	910	179,332
Reclassifications (Note 1)	-	-	3,819	1,796	1,218	6,833
Depreciation	-	(75)	(26,109)	(3,000)	(5,256)	(34,440)
Net exchange differences	-	-	(5)	(4)	(2)	(11)
At December 31	$ 87,514	$ 14,921	$ 103,236	$ 7,644	$ 13,333	$ 226,648
At December 31, 2016						
Cost	$ 87,514	$ 14,996	$ 158,484	$ 16,138	$ 27,706	$ 304,838
Accumulated depreciation	-	(75)	(55,248)	(8,494)	(14,373)	(78,190)
	$ 87,514	$ 14,921	$ 103,236	$ 7,644	$ 13,333	$ 226,648

Note 1: The reclassifications resulted from a transfer from prepayments for business facilities (shown as ‘other non-current asset’) to property, plant and equipment.

Note 2: Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(5) Intangible assets

	Patent							
	OBI-822 Therapeutically metastatic vaccines	OBI-858 Product development project of botulinum	OBI-833 Next-generation cancer vaccine	OBI-868 Reagent for cancer screening	OBI-3424 AKR1C3 enzyme prodrug	ThioBridge linker technology	Software	Total
At January 1, 2017								
Cost	$ 87,577	$ 42,858	$ 1,500	$ 1,500	$ -	$ -	$ 5,577	$ 139,012
Accumulated amortisation	(66,971)	(20,715)	(587)	(1,175)	-	-	(3,102)	(92,550)
	$ 20,606	$ 22,143	$ 913	$ 325	$ -	$ -	$ 2,475	$ 46,462
2017								
At January 1	$ 20,606	$ 22,143	$ 913	$ 325	$ -	$ -	$ 2,475	$ 46,462
Additions	-	-	-	-	90,693	1,945	2,934	95,572
Amortisation (Note)	(5,152)	(4,286)	(150)	(300)	(3,023)	(243)	(1,614)	(14,768)
At December 31	$ 15,454	$ 17,857	$ 763	$ 25	$ 87,670	$ 1,702	$ 3,795	$ 127,266
At December 31, 2017								
Cost	$ 87,577	$ 42,858	$ 1,500	$ 1,500	$ 90,693	$ 1,945	$ 8,511	$ 234,584
Accumulated amortisation	(72,123)	(25,001)	(737)	(1,475)	(3,023)	(243)	(4,716)	(107,318)
	$ 15,454	$ 17,857	$ 763	$ 25	$ 87,670	$ 1,702	$ 3,795	$ 127,266

	Patent					
	OBI-822	OBI-858	OBI-833	OBI-868		
	Therapeutically metastatic vaccines	Product development project of botulinum	Next-generation cancer vaccine	Reagent for cancer screening	Software	Total
At January 1, 2016						
Cost	$ 87,577	$ 42,858	$ 1,500	$ 1,500	$ 5,110	$ 138,545
Accumulated amortisation	(61,819)	(16,429)	(438)	(875)	(2,001)	(81,562)
	$ 25,758	$ 26,429	$ 1,062	$ 625	$ 3,109	$ 56,983
2016						
At January 1	$ 25,758	$ 26,429	$ 1,062	$ 625	$ 3,109	$ 56,983
Additions	-	-	-	-	467	467
Amortisation (Note)	(5,152)	(4,286)	(149)	(300)	(1,101)	(10,988)
At December 31	$ 20,606	$ 22,143	$ 913	$ 325	$ 2,475	$ 46,462
At December 31, 2016						
Cost	$ 87,577	$ 42,858	$ 1,500	$ 1,500	$ 5,577	$ 139,012
Accumulated amortisation	(66,971)	(20,715)	(587)	(1,175)	(3,102)	(92,550)
	$ 20,606	$ 22,143	$ 913	$ 325	$ 2,475	$ 46,462

Note: Except for the amortisation of computer software which was recognised as "Operating expenses - management expenses", amortisation of other intangible assets is recognised 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 since January 2013 and the name was changed to “OBI-822/821” after the organisation changed in October 2012) on December 29, 2003. The main contract information is as follows:

   (a) The patent amounting to USD 6 million (approximately NTD 204,000) based on the appraisal report, was acquired as intellectual property right through equity of 20,400 thousand shares.

   (b) The Company signed an authorised 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 recognised a gain on disposal of assets amounting to $26,660 by deducting the costs of $116,423 and accumulated amortisation of $33,957.

   (d) The Company needs to pay the annual fee and achieved milestones. As of December 31, 2017, the remaining unpaid amount for achieved milestones amounted to US$13,250 thousand. The amount of payment was determined based on whether the milestones in the agreement are achieved or not. Furthermore, the Company must pay royalty fees based on a certain percentage of the sales of patented products annually.

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 the Globo H series’ 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 upfront patent licensing fees and royalty fees in accordance with the contract. Except for royalty fees, the Company assesses whether to pay periodical patent licensing fees based on 4 achieved milestones. The total contract amount was approximately $60,000. Further, pursuant to the supplements and amendments agreement on February 18, 2016, the patent licensing fees was reduced to $57,320. As of December 31, 2017, the Company paid royalty fees of $20,000 in 2014, milestone patent licensing fees of $27,320 in 2016 and $10,000 in 2017. These fees were recognised as research and development expenses.

C. The Company purchased a patent named “product development project of botulinum” (OBI-858) 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” (OBI-833) and “reagent for cancer screening” (OBI-868). The contract states that the Company must pay royalty fees based on the achieved milestones. In 2013, the Company paid 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. On May 31, 2017, the Company entered into an agreement with Threshold Pharmaceuticals, Inc. to acquire the global IP right (excluding Mainland China, Hong Kong, Macao, Taiwan, Japan, South Korea, Singapore, Malaysia, Thailand, Turkey and India) and patent regarding the innovative micromolecule drug TH-3424, which was then renamed OBI-3424.

F. On July 11, 2017, the Company entered into a licensing agreement with PolyTherics Limited (Abzena) to introduce the ThioBridge^{TM} linker technology required for the antibody drug conjugate (ADC). Under the terms of the agreement, the Company is obliged to pay a small amount of upfront payment to Abzena to acquire the worldwide exclusive right to use the ThioBridge^{TM} technology for the development and commercialisation of ADCs targeting of carbohyclrates in the Globo series. In the following years, milestone payments amounting up to GBP 128 million will come due whenever the specified milestones are reached. In addition, the Company is also required to pay royalties based on a certain percentage of sales of the products which incorporate the ThioBridge^{TM} technology.

G. The Group has no intangible assets pledged to others.

(6) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2017	December 31, 2016
Long-term bank borrowings					
Secured borrowings	Borrowing period is from October 5, 2016 to October 5, 2026; interest is repayable monthly (Note 1)	1.60%	Note 3	$ 63,000	$ 70,000
Unsecured borrowings	Borrowing period is from October 5, 2016 to October 5, 2021; interest is repayable monthly (Note 2)	1.60%	Note 3	8,000	10,000
				71,000	80,000
Less: Current portion				(9,997)	(10,140)
				$ 61,003	$ 69,860

Note 1: The Group negotiated borrowing contract with the bank whereby the principal will be repayable quarterly starting from January 2017.

Note 2: The Group negotiated borrowing contract with the bank whereby the principal will be repayable quarterly starting from January 2017.

Note 3: Please refer to Note 8 for details.

(7) Pension

A. 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 pension costs under the defined contribution pension plan of the Company were $7,325 and $6,726 for the years ended December 31, 2017 and 2016, respectively.

B. For the pension plan based on local government regulations, OBI Pharma USA, Inc. and OBI Pharma (Shanghai) Limited recognised pension costs of $2,811 and $2,958 for the years ended December 31, 2017 and 2016, respectively.

(8) Share-based payment

A. The options were granted to qualified employees of the Company, the subsidiaries which the Company holds over 50% interest of shares, and the branches 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 share per unit	Vesting conditions	Weighted-average remaining contract period (years)
Employee stock option plan	2010.03.08	2,360,000	1	One year after grant, employees can exercise options monthly at a certain percentage	2.19
〃	2010.05.21	100,000	1	〃	2.39
〃	2010.09.10	60,000	1	〃	2.69
〃	2010.12.15	144,000	1	〃	2.96
〃	2011.01.01	588,000	1	〃	3.00
〃	2011.03.30	80,000	1	〃	3.25
〃	2011.06.10	124,000	1	〃	3.44
〃	2011.09.30	260,000	1	〃	3.75
〃	2011.12.16	2,450,000	1	〃	3.96
〃	2012.01.01	1,560,000	1	〃	4.00
〃	2012.03.09	270,000	1	〃	4.19
〃	2013.11.27	1,821,000	1	Two years after grant, employees can exercise options monthly at a certain percentage	5.91
〃	2014.02.21	1,744,000	1	〃	6.14
〃	2014.03.26	575,000	1	〃	6.23
〃	2015.05.06	2,861,000	1	〃	7.35

Type of agreement	Grant date	No. of units	Subscription share per unit	Vesting conditions	Weighted-average remaining contract period (years)
Employee stock option plan	2015.08.04	75,000	1	Two years after grant, employees can exercise options monthly at a certain percentage	7.60
〃	2015.11.06	353,000	1	〃	7.85
〃	2015.12.15	13,000	1	〃	7.96
〃	2016.03.25	1,377,000	1	〃	8.23
〃	2017.03.09	3,145,000	1	〃	9.19
〃	2017.05.12	20,000	1	〃	9.36
〃	2017.08.11	20,000	1	〃	9.61
〃	2017.11.10	130,000	1	〃	9.86
Cash capital increase reserved for employee preemption	2013.07.26	839,514	1	Vested immediately	-
〃	2015.03.16	3,000,000	1	〃	-

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

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

	Years ended December 31,			
	2017		2016	
	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	8,827,788	$ 212.65	8,910,542	$ 224.40
Options granted	3,315,000	318.64	1,377,000	420.00
Options exercised	(553,794)	65.08	(891,920)	185.88
Options forfeited or expired	(1,986,398)	217.12	(567,834)	345.42
Options outstanding at end of the year	9,602,596	260.87	8,827,788	212.65
Options exercisable at end of the year	4,599,136		3,752,870	
Options authorized but not granted at end of the year	1,685,000		-	
Options expired	-		821,000	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2017 and 2016 were $292.52 and $447.00 (in dollars), respectively.

D. As of December 31, 2017 and 2016, the range of exercise prices of stock options outstanding were both $10~$727 (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%	6.375 years	0%	1.44%	128.42
〃	2014.02.21	214.4	47.62%	6.375 years	0%	1.34%	114.80
〃	2014.03.26	227.6	46.54%	6.375 years	0%	1.38%	97.07
〃	2015.05.06	334.0	44.46%	6.375 years	0%	1.33%	150.18
〃	2015.08.04	283.0	43.90%	6.375 years	0%	1.21%	125.27
〃	2015.11.06	422.0	44.11%	6.375 years	0%	1.01%	186.00
〃	2015.12.15	727.0	45.44%	6.375 years	0%	0.99%	328.28
〃	2016.03.25	420.0	47.70%	6.375 years	0%	0.72%	195.43
〃	2017.03.09	326.0	50.01%	6.375 years	0%	1.11%	159.90
〃	2017.05.12	261.0	49.51%	6.375 years	0%	0.96%	126.34
〃	2017.08.11	191.0	48.61%	6.375 years	0%	0.82%	90.60
〃	2017.11.10	169.0	48.44%	6.375 years	0%	0.81%	79.91
Cash capital increase reserved for employee preemption	2013.07.26	158.0	18.68%	0.125 years	0%	0.87%	14.02
〃	2015.03.16	310.0	23.49%	0.005 years	0%	0.87%	63.51

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, 2017 and 2016, the Company recognised employee stock option plan compensation expense of $263,668 and $308,952, respectively.

G. On November 11, 2016, the Board of Directors has resolved for the Company to apply with the Financial Supervisory Commission for the issuance of employee stock warrants of 5,000,000 units, representing 5,000,000 shares for subscribed ordinary shares. The application has been approved to be effective on January 20, 2017 by the Financial Supervisory Commission.

(9) Share capital

A. As of December 31, 2017, the Company's authorised 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 $1,721,657 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:

	2017	2016
At January 1	170,749,880	170,719,960
Exercise of employee stock options	553,794	891,920
Shares retired	-	(862,000)
At Decebmer 31	171,303,674	170,749,880

B. Treasury stock

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

	Year ended December 31, 2017			
Reason for reacquisition	Beginning shares	Additions	Disposal	Ending shares
To transfer shares to the employees	862 thousand shares	-	-	862 thousand shares

	Year ended December 31, 2016			
Reason for reacquisition	Beginning shares	Additions	Disposal	Ending shares
To transfer shares to the employees	-	862 thousand shares	-	862 thousand shares

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

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

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

(e) The price range of actual repurchased treasury shares was between $431.88 ~ $454.26 (in dollars). The average repurchased price was $448.63 (in dollars) and the actual repurchased amount was $386,721.

(10) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be 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.

	2017		
	Share premium	Employee stock options	Others
At January 1	$ 7,962,049	$ 691,315	$ 89,847
Employee stock options compensation cost	-	263,668	-
Employee stock options exercised	49,122	(18,620)	-
At December 31	$ 8,011,171	$ 936,363	$ 89,847

	2016		
	Share premium	Employee stock options	Others
At January 1	$ 7,720,531	$ 467,007	$ 89,847
Employee stock options compensation cost	-	308,952	-
Employee stock options exercised	241,518	(84,644)	-
At December 31	$ 7,962,049	$ 691,315	$ 89,847

(11) Accumulated deficit

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the abovementioned employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The term shall be defined by the Board of Directors. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Cash dividends shall first be appropriated, and the remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' 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 funds status and are subject to the approval by the Board of Directors and resolution by shareholders 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 9, 2018, the Company's proposal for 2017 deficit compensation is as follows:

	Year ended December 31, 2017
Accumulated deficit at beginning of the year	($ 3,913,277)
Net loss for 2017	(1,379,436)
Accumulated deficit at end of the year	($ 5,292,713)

As of March 9, 2018, the deficit compensation for 2017 has not yet been resolved by the shareholders.

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(17).

(12) Operating revenue

	Years ended December 31, 2017	2016
Sales of materials	$ 376	$ -
Licensing revenue	-	92,386
Service revenue	-	36
	$ 376	$ 92,422

On October 2, 2015, the Company entered into a contract with Optimer Pharmaceuticals, LLC. (hereafter referred to as "Optimer"), agreeing to transfer all the rights of DIFICID (Fidaxomicin) in terms of marketing approval and filing a trademark application pursuant to Taiwan legislations. The contract will expire on November 27, 2028 when the patent term lapses. The contract provides that the Company is obliged to transfer all related rights to Optimer. In return, Optimer is obliged to pay the Company (a) US$3 million of contract value; (b) a maximum of US$3.25 million of accumulated net sales revenue and additional US$1 million of milestone payment for each new indication; (c) sales royalty calculated based on a certain percentage of net sales revenue. As for all business activities related to DIFICID, it is handed over to Optimer's associate in Taiwan, Merck Sharp & Dohme (I.A.) LLC. - Taiwan Branch (hereafter referred to as "MSD"). In the second quarter of 2016, the Company has completed the transfer of all related rights to MSD and received US$3 million under the contract. In addition, the authorised sale contract mentioned in Note 6(5)A.(b) has been terminated when the contract value of this transfer contract was settled based on mutual agreement.

(13) Other income

	Years ended December 31, 2017	Years ended December 31, 2016
Interest income arising from bank deposit	$ 57,748	$ 61,636
Others	152	22,844
	$ 57,900	$ 84,480

In the second quarter of 2016, the Company received the legal attest letter from Securities and Futures Investors Protection Center whereby the Company was required to enforce disgorgement. The Company has enforced disgorgement and recognised disgorgement profit amounting to $22,394.

(14) Other gains and losses

	Years ended December 31, 2017	Years ended December 31, 2016
Net currency exchange loss	($ 244,464)	($ 79,368)
Gain on disposal of property, plant and equipment	-	2
Other expenses	(49)	(55)
	($ 244,513)	($ 79,421)

(15) Finance costs

	Years ended December 31, 2017	Years ended December 31, 2016
Interest expense:		
Bank borrowings	$ 1,202	$ 213

(16) Expenses by nature

	Years ended December 31, 2017	Years ended December 31, 2016
Employee benefit expenses	$ 485,198	$ 519,008
Clinical material expenses	277,670	278,535
Consulting and service fees	169,533	147,058
Clinical trials cost	69,914	85,323
Rental expenses	25,483	22,761
Royalty	10,000	28,939
Depreciation charges on property, plant and equipment	52,503	34,440
Amortisation charges on intangible assets	14,768	10,988
Other expenses	84,949	77,840
	$ 1,190,018	$ 1,204,892

(17) Employee benefit expense

	Years ended December 31, 2017	Years ended December 31, 2016
	Operating expense	Operating expense
Wages and salaries	$ 192,688	$ 183,148
Employee stock options	263,668	308,952
Labor and health insurance fees	10,921	10,004
Pension costs	10,136	9,684
Other personnel expenses	7,785	7,220
	$ 485,198	$ 519,008

A. In accordance with the Articles of Incorporation, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the abovementioned employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The term shall be defined by the Board of Directors.

B. As of December 31, 2017, the Company had an accumulated deficit; thus, no employees' compensation and directors' and supervisors' remuneration was recognised for the years ended December 31, 2017 and 2016. Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Income tax

A. Components of income tax expense:

	Years ended December 31, 2017	Years ended December 31, 2016
Total current tax	$ 1,979	$ 2,504
Income tax expense	$ 1,979	$ 2,504

B. Reconciliation between income tax expense and accounting profit：

	Years ended December 31, 2017	Years ended December 31, 2016
Tax calculated based on loss before tax and statutory tax rate	($ 234,168)	($ 188,258)
Effects from items disallowed by tax regulation	147	-
Income tax withheld	1,979	2,504
Effects from unrecognised deferred tax assets	234,021	188,258
Income tax expense	$ 1,979	$ 2,504

C. Details of the amount the Company is entitled as investment tax credits and unrecognised deferred tax assets under the Act for the Development of Biotech and New Pharmaceuticals Industry are as follows:

December 31, 2017

Qualifying items	Unused tax credits	Unrecognised deferred tax assets
Research and development	$ 415,837	$ 415,837

December 31, 2016

Qualifying items	Unused tax credits	Unrecognised deferred tax assets
Research and development	$ 351,309	$ 351,309

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 and be fully offset.

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2017				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2008	$ 154,355	$ 154,355	$ 154,355	2018
2009	7,557	7,557	7,557	2019
2010	92,437	92,437	92,437	2020
2011	116,457	116,457	116,457	2021
2012	239,902	239,902	239,902	2022
2013	405,027	405,027	405,027	2023
2014	606,286	606,286	606,286	2024
2015	981,510	981,510	981,510	2025
2016	954,841	954,841	954,841	2026
2017	1,112,295	1,112,295	1,112,295	2027

December 31, 2016				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2007	$ 22,592	$ 22,592	$ 22,592	2017
2008	154,355	154,355	154,355	2018
2009	7,557	7,557	7,557	2019
2010	92,437	92,437	92,437	2020
2011	116,457	116,457	116,457	2021
2012	239,902	239,902	239,902	2022
2013	405,027	405,027	405,027	2023
2014	606,286	606,286	606,286	2024
2015	981,510	981,510	981,510	2025
2016	954,841	954,841	954,841	2026

E. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

F. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on accumulated deficit and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Accumulated deficit on December 31, 2016:

	December 31, 2016
Deficit incurred in and after 1998	($ 3,913,277)

G. As of December 31, 2016, the balance of the imputation credit account was $0, and no earnings can be distributed due to the accumulated deficit.

(19) Loss per share

	Year ended December 31, 2017		
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic and diluted loss per share			
Net loss	($ 1,379,436)	171,140	($ 8.06)

	Year ended December 31, 2016		
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic and diluted loss per share			
Net loss	($ 1,110,128)	170,494	($ 6.51)

The potential ordinary shares have anti-dilutive effect due to net loss for the years ended December 31, 2017 and 2016, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

(20) Operating leases

The Group leases offices under non-cancellable operating lease agreements. For the years ended December 31, 2017 and 2016, the Group recognised rental expenses of $25,483 and $22,761, respectively. Information about the future aggregate minimum lease payments under non-cancellable operating leases are disclosed in Note 9.

(21) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31, 2017	Years ended December 31, 2016
Acquisition of property, plant and equipment	$ 56,829	$ 179,332
Add: Opening balance of payable	1,375	5,288
Less: Ending balance of payable	(1,742)	(1,375)
Cash paid during the year	$ 56,462	$ 183,245

	Years ended December 31, 2017	Years ended December 31, 2016
Acquisition of intangible assets	$ 95,572	$ 467
Add: Opening balance of payable	360	-
Less: Ending balance of payable	-	(360)
Cash paid during the year	$ 95,932	$ 107

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As of December 31, 2017, the Company does not have an ultimate parent company or controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Amaran Biotechnology Inc.	Other related parties

(3) Significant related party transactions

A. Research and development expenses

	Years ended December 31,	
	2017	2016
Other related parties		
-Amaran Biotechnology Inc.	$ 27,203	$ 45,087

The Group signed the drugs purchase agreement for clinical trial of OBI-821 and OBI-822 with Amaran Biotechnology Inc. The purchase amount was based on the mutual agreement.

B. Other payables

	December 31, 2017	December 31, 2016
Other related parties		
-Amaran Biotechnology Inc.	$ 5,622	$ 185

It was paid for research and development expenditures.

C. Property transactions

(a) On March 26, 2016, the Group entered into purchase agreement for production equipment with Amaran Biotechnology Inc. The Group purchased the existing equipment from Amaran Biotechnology Inc. and made it available for processing related products of OBI-821/822, Globo H and OBI-858. The initial acquisition cost of $108,753 less the carrying amount (net of accumulated depreciation) was the purchase amount. As of December 31, 2017, the Group has paid $94,397 for production equipment, of which $47,053 has been transferred and $47,344 was recognised as other non-current assets.

(b) For the year ended December 31, 2017, experimental equipment amounting to $915 was purchased from Amaran Biotechnology Inc.

(4) Key management compensation

	Years ended December 31, 2017	Years ended December 31, 2016
Salaries and other short-term employee benefits	$ 91,893	$ 94,071
Share-based payments	140,568	197,752
	$ 232,461	$ 291,823

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2017	December 31, 2016	Purpose
Land	$ 87,514	$ 87,514	Long-term borrowings (Note)
Buildings and structures	14,621	14,921	Long-term borrowings (Note)
Other non-current assets	31,848	32,956	Deposits for import duty, clinical trial agreement and
	$ 133,983	$ 135,391	

Note: The Group has entered into mortgage contract with E. SUN Bank in 2016. The contract requires a property as collateral and the credit line is $100 million. Please refer to Note 6(6) for details.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Pursuant to the government grants for OBI-822 (formerly OPT-822/821), therapeutically metastatic breast cancer vaccines, in Phase Ⅱ/Ⅲ obtained by the Company from Department of Industrial Technology of Ministry of Economic Affairs R.O.C. (MOEA) on December 25, 2012, if OBI-822 (formerly OPT-822/821) will be successfully licensed to others, the Company promises to contribute 5% of the signing bonus and achieved milestones as feedback fund and the maximum amount for feedback fund is $150,256.

(2) In September 2017, the Company commissioned Pharmacore Biotech Co., Ltd. to build a customized production line for OBI-858 botulinum toxin under an agreement. The contract price totaled $36,500 with some other service charges whenever additional machinery and equipment is acquired. As of December 31, 2017, the Company has paid $7,615.

(3) Except for the promised payments described in Note 6(5) Intangible assets, the Group entered into operating lease contracts for its offices. Future lease payments under those leases were as follows:

	December 31, 2017	December 31, 2016
Not later than one year	$ 20,860	$ 22,979
Later than one year but not later than five years	56,375	55,096
Over five years	44,396	58,082
	$ 121,631	$ 136,157

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Aiming to bolster the competitive edge of products and the ability to develop new drugs, the Company's Board of Directors approved the proposal of share exchange with AbProtix, Inc., the shareholder of AP Biosciences, Inc. (hereafter referred to as AP), on October 20, 2017. On January 10, 2018, the Company issued 1,675 thousand new common stocks in return for AbProtix, Inc.'s 6,700 thousand common stocks of AP, which is equivalent to 67% ownership; the share exchange ratio is 1:4.

(2) The proposal for 2017 deficit compensation is disclosed in Note 6(11).

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 or improve 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 is 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 the year ended December 31, 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio within reasonable security range. The ratios are as follows:

	December 31, 2017	December 31, 2016
Total liability	$ 129,656	$ 167,317
Less: Cash and cash equivalents	2,555,275	1,414,078
Net debt	($ 2,425,619)	($ 1,246,761)
Total equity	($ 5,060,373)	$ 6,160,760

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, investments in debt instruments without active markets (including current and non-current) and other payables (including related parties) are approximate to the fair values. Long-term borrowings' (including current portion) interest rates are close to market interest rates. Therefore, the carrying value is reasonably calculated using the rational fair value basis. 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, recognised 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 recognised 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, 2017					
				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 108,525	29.76	$3,229,704	1%	$ 32,297	$ -
RMB:NTD	42,137	4.565	192,355	1%	1,924	-
USD:RMB	301	6.520	8,958	1%	90	-
Financial assets						
Non-monetary items						
USD:NTD	1,902	29.76	56,613	-	-	-
RMB:USD	2,595	0.153	11,844	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	486	29.76	14,464	1%	145	-

	December 31, 2016					
				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 88,600	32.25	$2,857,350	1%	$ 28,574	$ -
RMB:NTD	40,497	4.617	186,975	1%	1,870	-
Financial assets						
Non-monetary						
USD:NTD	1,458	32.25	47,019	-	-	-
RMB:USD	494	0.143	2,279	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	1,725	32.25	55,631	1%	556	-
GBP:NTD	275	39.61	10,893	1%	109	-

E. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016 amounted to $244,464 and $79,368, respectively.

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 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 for the years ended December 31, 2017 and 2016 would have increased / decreased by $102 and $272, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

A. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group’s borrowings were calculated by floating rate and stated at New Taiwan Dollars for the years ended December 31, 2017 and 2016.

B. At December 31, 2017 and 2016, if interest rates had been 1% higher or lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have been $624 and $110 lower or higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the 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 For the years ended December 31, 2017 and 2016, 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 of December 31, 2017 and 2016, the Group's investments in debt instruments without active market (including current and non-current) amounted to $2,022,658 and $4,471,180, 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, 2017				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Other payables (including related parties)	$ 57,162	$ -	$ -	$ -	$ -
Long-term borrowings (including current portion)	10,058	9,914	9,770	17,125	28,877

	December 31, 2016				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Other payables (including related parties)	$ 84,716	$ -	$ -	$ -	$ -
Long-term borrowings (including current portion)	10,202	10,058	9,914	19,396	36,377

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 information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2) A.

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in available-for-sale financial assets – non-current is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Equity securities				
Available-for-sale financial assets	$ -	$ -	$ 10,160	$ 10,160

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Equity securities				
Available-for-sale financial assets	$ -	$ -	$ 27,181	$ 27,181

D. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

E. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	$ 10,160	Market comparable companies	Price to book ratio multiple	0.79~3.30 (1.89)	The higher the mulitple the higher the fair value
			Discount for lack of marketability	25%(25%)	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	$ 27,181	Net asset value	Not applicable	-	Not applicable

F. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2017			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	$ -	$ -	$ 98	$ 98
	Discount for lack of marketability	±1%	-	-	(132)	(132)

			December 31, 2016			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Net asset value	±1%	$ -	$ -	$ 272	$ 272

G. The following chart is the movement of Level 3 for the years ended December 31, 2017 and 2016:

	Equity securities	
	Years ended December 31,	
	2017	2016
Opening net book amount	$ 27,181	$ 22,500
Loss recognised in other comprehensive income	(17,021)	-
Acquired during the period	-	4,681
Closing net book amount	$ 10,160	$ 27,181

H. As of December 31, 2017 and 2016, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

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

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

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

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

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

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

J. Significant inter-company transactions during the reporting periods: Please refer to table 2.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 4.

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

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry, 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, 2017 and 2016 is as follows:

	Years ended December 31,			
	2017		2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 376	$ 465,249	$ 92,422	$ 308,412
Others	-	1,100	-	1,365
	$ 376	$ 466,349	$ 92,422	$ 309,777

Non-current assets refer to property, plant and equipment, intangible assets and other non-current assets, and are attributed based on the location of the assets.

OBI Pharma, Inc. and Subsidiaries

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2017

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017				Footnote
				Number of shares	Book value	Ownership	Fair value	
OBI Pharma, Inc.	Stock - Agnitio Science & Technology Inc.	None	Available-for-sale financial assets - non-current	1,734,036	$ 10,160	4.19%	$ 10,160	None

OBI Pharma, Inc. and Subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2017

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
1	OBI Pharma USA, Inc.	OBI Pharma, Inc.	2	Accounts receivable	$ 14,464	(Note 4)	0.28%
1	"	"	"	Service revenue	63,624	"	16921.28%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The transaction terms are based on the mutual agreement.

Note 5: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

OBI Pharma, Inc. and Subsidiaries

Information on investees

Year ended December 31, 2017

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2017					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
OBI Pharma, Inc.	OBI Pharma Limited	Hong Kong	Investments and trading	$ 34,224	$ 17,856	1,150,000	100.00	$ 13,167	($ 5,992)	($ 5,992)	Note 2
"	OBI Pharma USA, Inc.	USA	Research and development of biotechnology	80,352	80,352	2,701,000	100.00	43,446	2,234	2,234	"

Note 1: The accounts of the Company are maintained in New Taiwan dollars. Income statement accounts denominated in foreign currencies are translated into New Taiwan dollars at the weighted average exchange rates and balance sheet accounts at spot exchange rates prevailing at the balance sheet date.

Note 2: Inter-company transactions between companies within the Group are eliminated.

OBI Pharma, Inc. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
OBI Pharma (Shanghai) Limited	Research and development of biotechnology	$ 29,760	Note 1	$ 14,880	14,880	-	$ 29,760	($ 5,797)	100.00	($ 5,797)	$ 11,844	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
OBI Pharma, Inc.	$ 29,760	$ 29,760	$ 3,036,223

Note 1: Reinvesting in the investee in Mainland China through OBI Pharma Limited.

Note 2: The total investment amount of USD 1 million was approved pursuant to the Jing-Shen-II-Zi Letter No.10200125600 and No. 10600182730.

Note 3: Abovementioned investment income (loss) was recognised based on the financial reports audited by the parent company’s CPA.

Note 4: The accounts of the Company are maintained in New Taiwan dollars. Income statement accounts denominated in foreign currencies are translated into New Taiwan dollars at the weighted average exchange rates and balance sheet accounts at spot exchange rates prevailing at the balance sheet date.