

**OBI PHARMA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REVIEW REPORT OF INDEPENDENT**  
**ACCOUNTANTS**  
**SEPTEMBER 30, 2018 AND 2017**

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

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of OBI PHARMA, INC. and subsidiaries (the “Group”) as at September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the related consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### ***Scope of Review***

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## ***Conclusion***

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2018 and 2017, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Yu-Kuan

Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan

November 9, 2018

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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**  
**SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Assets		Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 3,945,078	79	\$ 2,555,275	49	\$ 2,831,574	52
1147	Investments in debt instrument	12(4)						
	without active markets - current		-	-	2,022,658	39	2,040,511	38
1170	Accounts receivable, net		934	-	103	-	-	-
1200	Other receivables		33,663	-	60,430	1	45,970	1
1410	Prepayments		84,916	2	75,054	2	66,946	1
11XX	<b>Total current assets</b>		<u>4,064,591</u>	<u>81</u>	<u>4,713,520</u>	<u>91</u>	<u>4,985,001</u>	<u>92</u>
<b>Non-current assets</b>								
1517	Financial assets at fair value	6(2)						
	through other comprehensive							
	income-non-current		8,300	-	-	-	-	-
1523	Available-for-sale financial assets -	12(4)						
	non-current		-	-	10,160	-	11,057	-
1600	Property, plant and equipment, net	6(3) and 7	214,500	4	234,645	5	245,253	5
1780	Intangible assets, net	6(4)	592,910	12	127,266	2	132,788	2
1900	Other non-current assets	7 and 8	119,491	3	104,438	2	69,029	1
15XX	<b>Total non-current assets</b>		<u>935,201</u>	<u>19</u>	<u>476,509</u>	<u>9</u>	<u>458,127</u>	<u>8</u>
1XXX	<b>Total assets</b>		<u>\$ 4,999,792</u>	<u>100</u>	<u>\$ 5,190,029</u>	<u>100</u>	<u>\$ 5,443,128</u>	<u>100</u>

(Continued)

**OBI PHARMA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>								
2200	Other payables		\$ 18,757	-	\$ 51,540	1	\$ 20,239	1
2220	Other payables to related parties	7	-	-	5,622	-	-	-
2230	Current income tax liabilities		621	-	434	-	431	-
2320	Long-term liabilities, current portion	6(5)	9,889	-	9,997	-	10,033	-
2399	Other current liabilities		5,257	-	1,060	-	1,192	-
21XX	<b>Total current liabilities</b>		<u>34,524</u>	<u>-</u>	<u>68,653</u>	<u>1</u>	<u>31,895</u>	<u>1</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(5)	54,361	1	61,003	1	63,217	1
2570	Deferred income tax liabilities		82,172	2	-	-	-	-
25XX	<b>Total non-current liabilities</b>		<u>136,533</u>	<u>3</u>	<u>61,003</u>	<u>1</u>	<u>63,217</u>	<u>1</u>
2XXX	<b>Total liabilities</b>		<u>171,057</u>	<u>3</u>	<u>129,656</u>	<u>2</u>	<u>95,112</u>	<u>2</u>
<b>Equity attributable to owners of parent</b>								
<b>Share capital</b>		6(8)						
3110	Share capital - common stock		1,739,907	35	1,721,657	33	1,721,157	31
3200	<b>Capital surplus</b>	6(9)	9,479,877	190	9,037,381	174	8,965,259	165
<b>Retained earnings</b>		6(10)						
3350	Accumulated deficit		( 6,110,900)	( 122)	( 5,292,713)	( 102)	( 4,934,055)	( 91)
3400	<b>Other equity interest</b>	6(2)	( 20,727)	( 1)	( 19,231)	-	( 17,624)	-
3500	<b>Treasury shares</b>	6(8)	( 386,721)	( 8)	( 386,721)	( 7)	( 386,721)	( 7)
31XX	<b>Equity attributable to owners of the parent</b>		<u>4,701,436</u>	<u>94</u>	<u>5,060,373</u>	<u>98</u>	<u>5,348,016</u>	<u>98</u>
36XX	<b>Non-controlling interest</b>	4(3) and 6(19)	<u>127,299</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>4,828,735</u>	<u>97</u>	<u>5,060,373</u>	<u>98</u>	<u>5,348,016</u>	<u>98</u>
<b>Significant Contingent Liabilities and Unrecognised Contract Commitments</b>		6(4) and 9						
<b>Significant Events after the Balance Sheet Date</b>		11						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 4,999,792</u>	<u>100</u>	<u>\$ 5,190,029</u>	<u>100</u>	<u>\$ 5,443,128</u>	<u>100</u>

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

OBI PHARMA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017  
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)  
(UNAUDITED)

	Items	Notes	Three months ended September 30				Nine months ended September 30			
			2018		2017		2018		2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	<b>Operating revenue</b>	6(11) and 12(5)	\$ 315	-	\$ -	-	\$ 13,062	2	\$ 366	-
5000	<b>Operating costs</b>		-	-	-	-	( 239)	-	-	-
5900	<b>Gross profit</b>		315	-	-	-	12,823	2	366	-
	<b>Operating expenses</b>	6(3)(4)(6)(7)(15)(16)(20) and 7								
6200	Administrative expenses		( 56,803)	( 13)	( 86,154)	( 26)	( 195,184)	( 23)	( 245,594)	( 24)
6300	Research and development expenses		( 383,603)	( 91)	( 260,059)	( 77)	( 794,496)	( 94)	( 623,010)	( 61)
6000	<b>Total operating expenses</b>		( 440,406)	( 104)	( 346,213)	( 103)	( 989,680)	( 117)	( 868,604)	( 85)
6900	<b>Operating loss</b>		( 440,091)	( 104)	( 346,213)	( 103)	( 976,857)	( 115)	( 868,238)	( 85)
	<b>Non-operating income and expenses</b>									
7010	Other income	6(12) and 12(4)	24,489	6	19,073	6	64,340	7	40,846	4
7020	Other losses	6(13)	( 7,547)	( 2)	( 8,843)	( 3)	67,138	8	( 190,930)	( 19)
7050	Finance costs	6(14)	( 413)	-	( 296)	-	( 1,420)	-	( 915)	-
7000	<b>Total non-operating income and expenses</b>		16,529	4	9,934	3	130,058	15	( 150,999)	( 15)
7900	<b>Loss before tax</b>		( 423,562)	( 100)	( 336,279)	( 100)	( 846,799)	( 100)	( 1,019,237)	( 100)
7950	Income tax benefit (expense)	6(17)	1,485	-	( 430)	-	4,703	-	( 1,541)	-
8200	<b>Loss for the period</b>		( \$ 422,077)	( 100)	( \$ 336,709)	( 100)	( \$ 842,096)	( 100)	( \$ 1,020,778)	( 100)
	<b>Other comprehensive loss, net</b>									
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>									
8316	Unrealised valuation gains and loss from equity investment instruments measured at fair value through other comprehensive income	6(2)	( \$ 754)	-	\$ -	-	( \$ 1,860)	-	\$ -	-
	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>									
8361	Financial statements translation differences of foreign operations		( 616)	-	( 34)	-	263	-	( 2,928)	-
8362	Unrealised loss on valuation of available-for-sale financial assets	12(4)	-	-	( 16,124)	( 5)	-	-	( 16,124)	( 2)
8300	<b>Other comprehensive loss for the period, net</b>		( \$ 1,370)	-	( \$ 16,158)	( 5)	( \$ 1,597)	-	( \$ 19,052)	( 2)
8500	<b>Total comprehensive loss for the period</b>		( \$ 423,447)	( 100)	( \$ 352,867)	( 105)	( \$ 843,693)	( 100)	( \$ 1,039,830)	( 102)
	<b>Loss attributable to:</b>									
8610	Owners of the parent		( \$ 415,181)	( 98)	( \$ 336,709)	( 100)	( \$ 818,187)	( 97)	( \$ 1,020,778)	( 100)
8620	Non-controlling interest		( \$ 6,896)	( 2)	\$ -	-	( \$ 23,909)	( 3)	\$ -	-
	<b>Comprehensive loss attributable to:</b>									
8710	Owners of the parent		( \$ 416,551)	( 98)	( \$ 352,867)	( 105)	( \$ 819,683)	( 97)	( \$ 1,039,830)	( 102)
8720	Non-controlling interest		( \$ 6,896)	( 2)	\$ -	-	( \$ 24,010)	( 3)	\$ -	-
	<b>Loss per share (in dollars)</b>	6(18)								
9750	<b>Basic and diluted loss per share</b>		( \$ 2.40)		( \$ 1.97)		( \$ 4.73)		( \$ 5.97)	

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

OBI PHARMA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

Equity attributable to owners of the parent													
		Capital Reserves				Other Equity Interest							

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

**OBI PHARMA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		(\$ 846,799 )	(\$ 1,019,237 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(3)(15)	43,131	37,194
Amortisation	6(4)(15)	48,524	9,246
Interest expense	6(14)	1,420	915
Interest income	6(12)	( 63,941 )	( 40,800 )
Compensation cost for share-based payment transactions	6(7)(9)(16)	179,793	191,547
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		( 831 )	-
Other receivables		( 4,982 )	( 3,089 )
Prepayments		( 11,213 )	( 1,874 )
Changes in operating liabilities			
Other payables		( 31,630 )	( 68,228 )
Other payables to related parties		( 5,622 )	( 185 )
Other current liabilities		( 773 )	( 803 )
Cash outflow generated from operations		( 692,923 )	( 895,314 )
Interest paid		( 1,420 )	( 915 )
Interest received		95,337	38,708
Income tax paid		( 1,435 )	( 1,716 )
Net cash flows used in operating activities		( 600,441 )	( 859,237 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Proceeds from disposal of current financial assets at amortised cost, net		2,022,658	-
Proceeds from disposal of investments in debt instruments without active markets		-	2,430,669
Acquisition of property, plant and equipment	6(21)	( 13,672 )	( 47,826 )
Cash acquired from acquisition of subsidiaries	6(20)	10,078	-
Acquisition of intangible assets	6(21)	( 621 )	( 95,932 )
Increase in other non-current assets		( 22,411 )	( 36,863 )
(Increase) Decrease in refundable deposits		( 1,022 )	832
Net cash flows from investing activities		1,995,010	2,250,880
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Repayment of long-term debt		( 6,750 )	( 6,750 )
Proceeds from exercise of employee stock options	6(7)(8)	1,500	35,539
Net cash flows (used in) from financing activities		( 5,250 )	28,789
Effects due to changes in exchange rate		484	( 2,936 )
Net increase in cash and cash equivalents		1,389,803	1,417,496
Cash and cash equivalents at beginning of period		2,555,275	1,414,078
Cash and cash equivalents at end of period		<u>\$ 3,945,078</u>	<u>\$ 2,831,574</u>

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



OBI PHARMA, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars,  
except as otherwise indicated)  
(UNAUDITED)

**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 reported to the Board of Directors on November 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 as endorsed by the FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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.

The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

(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 endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	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.

(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
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
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 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standards 34, "Interim financial reporting" as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the financial assets at fair value through other comprehensive income / 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 compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its 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.

- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply the modified retrospective approach and the financial statements for the year ended December 31, 2017 and the third quarter of 2017 were not restated. The financial statements for the year ended December 31, 2017 and the third quarter of 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

### (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:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
The Company	OBI Pharma Limited	Investing and trading	100.00	100.00	100.00	-
The Company	OBI Pharma USA, Inc.	Biotechnology development	100.00	100.00	100.00	-
The Company	AP Biosciences, Inc.	Biotechnology development	67.00	-	-	Note 1
The Company	OBI Pharma Australia Pty Ltd.	Biotechnology development	100.00	-	-	Note 2
OBI Pharma Limited	OBI Pharma (Shanghai) Limited	Biotechnology development	100.00	100.00	100.00	-
AP Biosciences, Inc.	Ablogix Inc.	Biotechnology development	-	100.00	100.00	Note 3

Note 1: In January 2018, the Company acquired 67% of the shares of AP Biosciences, Inc.

Note 2: OBI Pharma Australia was established in July 2018.

Note 3: In January 2018, the Company acquired 67% of the shares of AP Biosciences, Inc., indirectly holding 100% of the shares of Ablogix Inc. Ablogix Inc. had been dissolved in March 2018.

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.

As of September 30, 2018, the non-controlling interest amounted to \$127,299. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest	
		September 30, 2018	
		Amount	Ownership (%)
AP Biosciences, Inc.	Taiwan	\$ 127,299	33%

Summarised financial information of the subsidiaries:

Balance sheet

	<u>September 30, 2018</u>
Current assets	\$ 55,658
Non-current assets	419,699
Current liabilities	( 7,346)
Non-current liabilities	( 82,255)
Total net assets	<u>\$ 385,756</u>

Statement of comprehensive income

	Three months ended <u>September 30, 2018</u>	From January 11, 2018 to <u>September 30, 2017</u>
Revenue	\$ -	\$ 8,178
Loss before tax	( 23,006)	( 78,777)
Income tax benefit	<u>2,108</u>	<u>6,325</u>
Loss for the period	( 20,898)	( 72,452)
Other comprehensive loss	<u>-</u>	( 306)
Total comprehensive loss for the period	<u>(\$ 20,898)</u>	<u>(\$ 72,758)</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 6,896)</u>	<u>(\$ 24,010)</u>

Statements of cash flows

	From January 11, 2018 to <u>September 30, 2018</u>
Net cash used in operating activities	(\$ 45,491)
Net cash used in investing activities	( 859)
Net cash provided by financing activities	<u>90,000</u>
Net increase in cash and cash equivalents	<u>43,650</u>
Cash and cash equivalents at beginning of period	<u>10,708</u>
Cash and cash equivalents at end of period	<u>\$ 54,358</u>

As of December 31, 2017 and September 30, 2017, the Group had no non-controlling interest.

(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) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs, and subsequently measured it at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.



(9) Accounts receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or 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

(13) 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.

(14) 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) If acquired by cash, it is recorded at acquisition cost; if acquired through business combination, it is recorded at fair value as measured at the acquisition date. The estimated useful life is 2 to 16 years, and it is amortised on a straight-line basis.

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.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(15) Impairment of non-financial assets

- A. 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.
- B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to

benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings and other short-term loans. 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.

(17) Derecognition of financial liabilities

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

(18) 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.

(19) 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.

(20) 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.
- G. The interim period income tax expense is recognised based on the estimated average annual

effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(21) Share capital

- 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.

(22) Revenue recognition

A. Revenue from licensing intellectual property

- (a) The Group entered into a contract with a customer to grant a license of patents to the customer. Given the license is distinct from other promised goods or services in the contract, the Group recognises the revenue from licensing when the license transfer to a customer either at a point in time or over time based on the nature of the license granted. The nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognised as revenue on a straight-line basis throughout the licensing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when transferring the license to a customer at a point in time.
- (b) Some contracts require a sales-based royalty in exchange for a license of intellectual property. The Group recognises revenue when the performance obligation has been satisfied and the subsequent sale occurs.

B. Revenue from providing services

The Group provides research services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion

of the total services to be provided. This is determined based on the actual costs incurred to the total expected costs.

(23) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(24) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

Critical judgements in applying the Group's accounting policies are the impairment assessment of intangible assets (excluding goodwill). The information is as follows:

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.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash on hand	\$ 130	\$ 100	\$ 100
Checking accounts and demand deposits	345,724	233,016	96,568
Time deposits	3,599,224	2,322,159	2,734,906
	<u>\$ 3,945,078</u>	<u>\$ 2,555,275</u>	<u>\$ 2,831,574</u>

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) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>September 30, 2018</u>
Non-current item:	
Unlisted stocks	\$ 27,181
Valuation adjustment	( 18,881)
	<u>\$ 8,300</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$8,300 as at September 30, 2018.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended September 30, 2018</u>	<u>Nine months ended September 30, 2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 754)	(\$ 1,860)

C. As at September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$8,300.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

E. Information on available-for-sale financial assets as of December 31, 2017 and September 30, 2017 is provided in Note 12(4).

### (3) Property, plant and equipment

	Land	Buildings and structures	Lab equipment	Office equipment	Leasehold improvements	Total
<u>At January 1, 2018</u>						
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)
	<u>\$ 87,514</u>	<u>\$ 25,129</u>	<u>\$ 96,562</u>	<u>\$ 8,598</u>	<u>\$ 16,842</u>	<u>\$ 234,645</u>
<u>2018</u>						
At January 1	\$ 87,514	\$ 25,129	\$ 96,562	\$ 8,598	\$ 16,842	\$ 234,645
Additions	-	-	12,067	452	-	12,519
Acquired from business combinations	-	-	1,272	145	-	1,417
Reclassifications (Note 1)	-	-	9,048	-	-	9,048
Depreciation	-	( 3,180)	( 32,092)	( 2,955)	( 4,904)	( 43,131)
Net exchange differences	-	-	1	1	-	2
At September 30	<u>\$ 87,514</u>	<u>\$ 21,949</u>	<u>\$ 86,858</u>	<u>\$ 6,241</u>	<u>\$ 11,938</u>	<u>\$ 214,500</u>
<u>At September 30, 2018</u>						
Cost	\$ 87,514	\$ 26,818	\$ 219,912	\$ 20,539	\$ 37,839	\$ 392,622
Accumulated depreciation	-	( 4,869)	( 133,054)	( 14,298)	( 25,901)	( 178,122)
	<u>\$ 87,514</u>	<u>\$ 21,949</u>	<u>\$ 86,858</u>	<u>\$ 6,241</u>	<u>\$ 11,938</u>	<u>\$ 214,500</u>
	Land	Buildings and structures	Lab equipment	Office equipment	Leasehold improvements	Total
<u>At January 1, 2017</u>						
Cost	\$ 87,514	\$ 14,996	\$ 158,484	\$ 16,138	\$ 27,706	\$ 304,838
Accumulated depreciation	-	( 75)	( 55,248)	( 8,494)	( 14,373)	( 78,190)
	<u>\$ 87,514</u>	<u>\$ 14,921</u>	<u>\$ 103,236</u>	<u>\$ 7,644</u>	<u>\$ 13,333</u>	<u>\$ 226,648</u>
<u>2017</u>						
At January 1	\$ 87,514	\$ 14,921	\$ 103,236	\$ 7,644	\$ 13,333	\$ 226,648
Additions	-	-	26,603	4,452	21,067	52,122
Reclassifications (Note 1)	-	-	3,699	-	-	3,699
Depreciation	-	( 225)	( 30,108)	( 2,529)	( 4,332)	( 37,194)
Net exchange differences	-	-	( 12)	( 11)	1	( 22)
At September 30	<u>\$ 87,514</u>	<u>\$ 14,696</u>	<u>\$ 103,418</u>	<u>\$ 9,556</u>	<u>\$ 30,069</u>	<u>\$ 245,253</u>
<u>At September 30, 2017</u>						
Cost	\$ 87,514	\$ 14,996	\$ 188,760	\$ 19,764	\$ 48,763	\$ 359,797
Accumulated depreciation	-	( 300)	( 85,342)	( 10,208)	( 18,694)	( 114,544)
	<u>\$ 87,514</u>	<u>\$ 14,696</u>	<u>\$ 103,418</u>	<u>\$ 9,556</u>	<u>\$ 30,069</u>	<u>\$ 245,253</u>

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.



(4) Intangible assets

	Patent												
	OBI-822	OBI-858	OBI-833	OBI-868	OBI-3424								
	Therapeutically metastatic vaccines	Product development project of botulinum	Next- generation cancer vaccine	Reagent for cancer screening	AKR1C3 enzyme prodrug	ThioBridge linker technology	Antibody- drug development platform	Bispecific monoclonal antibody	Bifunctional fusion protein for age-related macular degeneration	Software	Goodwill	Total	
At January 1, 2018													
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)	
	<u>\$ 15,454</u>	<u>\$ 17,857</u>	<u>\$ 763</u>	<u>\$ 25</u>	<u>\$ 87,670</u>	<u>\$ 1,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,795</u>	<u>\$ -</u>	<u>\$ 127,266</u>	
2018													
At January 1	\$ 15,454	\$ 17,857	\$ 763	\$ 25	\$ 87,670	\$ 1,702	\$ -	\$ -	\$ -	\$ 3,795	\$ -	\$ 127,266	
Additions	-	-	-	-	-	-	-	-	-	621	-	621	
Acquired from business combinations	-	-	-	-	-	-	96,644	271,933	81,037	105	63,828	513,547	
Amortisation	( 3,864)	( 3,214)	( 113)	( 25)	( 6,802)	( 729)	( 7,248)	( 20,395)	( 4,367)	( 1,767)	-	( 48,524)	
At September 30	<u>\$ 11,590</u>	<u>\$ 14,643</u>	<u>\$ 650</u>	<u>\$ -</u>	<u>\$ 80,868</u>	<u>\$ 973</u>	<u>\$ 89,396</u>	<u>\$ 251,538</u>	<u>\$ 76,670</u>	<u>\$ 2,754</u>	<u>\$ 63,828</u>	<u>\$ 592,910</u>	
At September 30,													
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 1,500	\$ 90,693	\$ 1,945	\$ 96,644	\$ 271,933	\$ 81,037	\$ 9,237	\$ 63,828	\$ 748,752	
Accumulated amortisation	( 75,987)	( 28,215)	( 850)	( 1,500)	( 9,825)	( 972)	( 7,248)	( 20,395)	( 4,367)	( 6,483)	-	( 155,842)	
	<u>\$ 11,590</u>	<u>\$ 14,643</u>	<u>\$ 650</u>	<u>\$ -</u>	<u>\$ 80,868</u>	<u>\$ 973</u>	<u>\$ 89,396</u>	<u>\$ 251,538</u>	<u>\$ 76,670</u>	<u>\$ 2,754</u>	<u>\$ 63,828</u>	<u>\$ 592,910</u>	

	Patent				AKR1C3 enzyme prodrug	ThioBridge linker technology	Software	Total
	OBI-822	OBI-858	OBI-833	OBI-868				
	Therapeutically metastatic vaccines	Product development project of botulinum	Next- generation cancer vaccine	Reagent for cancer screening				
<u>At January 1, 2017</u>								
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)
	<u>\$ 20,606</u>	<u>\$ 22,143</u>	<u>\$ 913</u>	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,475</u>	<u>\$ 46,462</u>
<u>2017</u>								
At January 1	\$ 20,606	\$ 22,143	\$ 913	\$ 325	\$ -	\$ -	\$ 2,475	\$ 46,462
Additions	-	-	-	-	90,693	1,945	2,934	95,572
Amortisation	( 3,864)	( 3,214)	( 113)	( 225)	( 756)	-	( 1,074)	( 9,246)
At September 30	<u>\$ 16,742</u>	<u>\$ 18,929</u>	<u>\$ 800</u>	<u>\$ 100</u>	<u>\$ 89,937</u>	<u>\$ 1,945</u>	<u>\$ 4,335</u>	<u>\$ 132,788</u>
<u>At September 30, 2017</u>								
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 1,500	\$ 90,693	\$ 1,945	\$ 8,511	\$ 234,584
Accumulated amortisation	( 70,835)	( 23,929)	( 700)	( 1,400)	( 756)	-	( 4,176)	( 101,796)
	<u>\$ 16,742</u>	<u>\$ 18,929</u>	<u>\$ 800</u>	<u>\$ 100</u>	<u>\$ 89,937</u>	<u>\$ 1,945</u>	<u>\$ 4,335</u>	<u>\$ 132,788</u>

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

	Three months ended September 30,	
	2018	2017
Administrative expenses	\$ 679	\$ 438
Research and development expenses	15,698	3,229
	<u>\$ 16,377</u>	<u>\$ 3,667</u>

  

	Nine months ended September 30,	
	2018	2017
Administrative expenses	\$ 1,562	\$ 1,074
Research and development expenses	46,962	8,172
	<u>\$ 48,524</u>	<u>\$ 9,246</u>

B. 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) 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(4)B.(b) has been terminated when the contract value of this transfer contract was settled based on mutual agreement. For the three months and nine months ended September 30, 2018 and 2017, the Company recognised the aforementioned royalty income of \$315, \$0, \$899 and \$0, respectively.

- (e) The Company needs to pay the annual fee and achieved milestones. As of September 30, 2018, 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.
- C. 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 September 30, 2018, 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.
- D. 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.
- E. 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.
- F. 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.
- G. On July 11, 2017, the Company entered into a licensing agreement with PolyTherics Limited (Abzena) to introduce the ThioBridge™ 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™ 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™ technology.

H. Aiming to bolster the competitive edge of products and the ability to develop new drugs, 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 Biosciences, Inc., which is equivalent to 67% ownership; the share exchange ratio is 1:4. The Company hired independent experts to issue a purchase price allocation report for the business combination. Based on the report, the Company recognised special technology, computer software, and goodwill in the amounts of \$449,614, \$105, and \$63,828, respectively.

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

(5) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2018	December 31, 2017
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 2	\$ 57,750	\$ 63,000
Unsecured borrowings	Borrowing period is from October 5, 2016 to October 5, 2021; interest is repayable monthly (Note 1)	1.60%	Note 2	6,500	8,000
				64,250	71,000
Less: Current portion				( 9,889)	( 9,997)
				<u>\$ 54,361</u>	<u>\$ 61,003</u>

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

Note 2: Please refer to Note 8 for details.

(6) Pension

A. The Company and its domestic subsidiary have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiary contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees'

individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2018 and 2017 were \$1,930, \$1,785, \$5,603 and \$5,635, respectively.

- B. For the pension plan based on local government regulations, OBI Pharma USA, Inc. and OBI Pharma (Shanghai) Limited recognised pension costs of \$879, \$586, \$2,436 and \$2,171 for the three months and nine months ended September 30, 2018 and 2017, respectively.

(7) Share-based payment

- A. Information on share-based payments made by the Company and a subsidiary, AP Biosciences, Inc., is as follows:

- (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 of the Company 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 (Note)	2010.03.08	2,360,000	1	One year after grant, employees can exercise options monthly at a certain percentage	1.44
"	2010.05.21	100,000	1	"	1.64
"	2010.09.10	60,000	1	"	1.94
"	2010.12.15	144,000	1	"	2.21
"	2011.01.01	588,000	1	"	2.25
"	2011.03.30	80,000	1	"	2.50
"	2011.06.10	124,000	1	"	2.69
"	2011.09.30	260,000	1	"	3.00
"	2011.12.16	2,450,000	1	"	3.21
"	2012.01.01	1,560,000	1	"	3.25
"	2012.03.09	270,000	1	"	3.44
"	2013.11.27	1,821,000	1	Two years after grant, employees can exercise options monthly at a certain percentage	5.16
"	2014.02.21	1,744,000	1	"	5.39

Type of agreement	Grant date	No. of units	Subscription share per unit	Vesting conditions	Weighted-average remaining contract period (years)
Employee stock option plan (Note)	2014.03.26	575,000	1	Two years after grant, employees can exercise options monthly at a certain percentage	5.48
"	2015.05.06	2,861,000	1	"	6.60
"	2015.08.04	75,000	1	"	6.85
"	2015.11.06	353,000	1	"	7.10
"	2015.12.15	13,000	1	"	7.21
"	2016.03.25	1,377,000	1	"	7.48
"	2017.03.09	3,145,000	1	"	8.44
"	2017.05.12	20,000	1	"	8.61
"	2017.08.11	20,000	1	"	8.86
"	2017.11.10	130,000	1	"	9.11
"	2018.01.19	1,667,000	1	"	9.30
Cash capital increase reserved for employee preemption (Note)	2013.07.26	839,514	1	Vested immediately	-
"	2015.03.16	3,000,000	1	"	-

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

- (b) Employees and consultants of subsidiary, AP Biosciences, Inc., are qualified for the shared-based payment plan of the original parent, AbProtix Inc.:

Type of agreement	Grant date	No. of units	Subscription shares per unit	Vesting conditions	Weighted average residual contract period (years)
Employee stock options (Note)	2015.05.01	409,000	1	100% vested on grant date.	Note 2
"	2015.05.01	436,000	1	25% vested after one year of service from grant date; the remaining options vested in equal installments over the next 36 months, with 1/48 vesting on the last day of each month.	Note 2
"	2016.05.01	90,000	1	100% vested on grant date.	Note 2
"	2016.05.01	404,000	1	25% vested after one year of service from grant date; the remaining options vested in equal installments over the next 36 months, with 1/48 vesting on the last day of each month.	Note 2
"	2017.11.08	1,953,332	1	"	Note 2

Note 1: These options are issued by AbProtix Inc., and the aforementioned share-based payment are settled in the form of the equity of AbProtix Inc.

Note 2: The stock options granted before the closing of the merger on January 10, 2018 shall be fully vested as resolved by the Board of Directors of AbProtix Inc. on April 16, 2018.



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

(a) The Company's employee stock option plan:

	Nine months ended September 30,			
	2018		2017	
	No. of units	Weighted- average exercise price (in dollars)	No. of units	Weighted- average exercise price (in dollars)
Options outstanding at beginning of the period	9,602,596	\$ 260.87	8,827,788	\$ 212.65
Options granted	1,685,000	170.50	3,185,000	324.74
Options exercised	( 150,000)	10.00	( 503,794)	70.54
Options forfeited or expired	( 780,255)	321.94	( 1,080,472)	341.23
Options outstanding at end of the period	<u>10,357,341</u>	246.13	<u>10,428,522</u>	243.33
Options exercisable at end of the period	<u>5,490,416</u>		<u>5,334,706</u>	
Options authorised but not granted at end of the period	<u>-</u>		<u>1,815,000</u>	
Options expired	<u>-</u>		<u>-</u>	

(b) The employee stock option plan of subsidiary, AP Biosciences, Inc.:

	Nine months ended September 30, 2018	
	No. of units	Weighted-average exercise price (in US dollars)
Options outstanding at January 1	-	\$ -
Options acquired from business combinations	<u>2,883,332</u>	0.05
Options outstanding at June 30	<u>2,883,332</u>	-
Options exercisable at June 30	<u>2,883,332</u>	

C. The weighted-average stock price of stock options at exercise dates for the nine months ended September 30, 2018 and 2017 were \$170.50 and \$305.20 (in dollars), respectively.

D. As of September 30, 2018, December 31, 2017 and September 30, 2017, the range of exercise prices of the Company's stock options outstanding of the Company were all \$10~\$727 (in dollars).

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

(a) The Company's employee stock option plan:

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
"	2018.01.19	170.5	48.61%	6.375 years	0%	0.88%	81.04
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.

(b) The employee stock option plan of subsidiary, AP Biosciences, Inc.:

Type of arrangement	Grant date	Exercise price per share (in US dollars)	Expected price per share volatility	Expected option life	Expected dividend yield	Risk-free interest rate	Fair value per unit (in US dollars)
Employee stock options plan	2015.05.01	\$ 0.05	36.69%	5.00 years	0%	1.50%	\$ 0.2822
"	2015.05.01	0.05	38.78%	6.09 years	0%	1.71%	0.2841
"	2016.05.01	0.06	37.99%	5.00 years	0%	1.30%	0.1522
"	2016.05.01	0.06	38.37%	6.09 years	0%	1.48%	0.1547
"	2017.11.08	0.05	34.49%	6.09 years	0%	2.12%	0.3854

- F. For the three months and nine months ended September 30, 2018 and 2017, the Group recognised employee stock option plan compensation expense of \$51,750, \$74,705, \$179,793 and \$191,547, 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.

(8) Share capital

- A. As of September 30, 2018, 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 \$1,739,907 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:

	2018	2017
At January 1	171,303,674	170,749,880
Issuance of new shares	1,675,000	-
Exercise of employee stock options	150,000	503,794
At September 30	173,128,674	171,253,674

B. Treasury stock

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

Nine months ended September 30, 2018				
Reason for reacquisition	Beginning shares	Additions	Disposal	Ending shares
To transfer shares to the employees	862	-	-	862
	thousand shares			thousand shares

Nine months ended September 30, 2017				
Reason for reacquisition	Beginning shares	Additions	Disposal	Ending shares
To transfer shares to the employees	862	-	-	862
	thousand shares			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.

(9) Capital surplus

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

	2018		
	Share premium	Employee stock options	Others
At January 1	\$ 8,011,171	\$ 936,363	\$ 89,847
Issuance of new shares	273,025	-	-
Employee stock options compensation cost	-	124,532	44,939
Employee stock options exercised	576	( 576)	-
At September 30	<u>\$ 8,284,772</u>	<u>\$ 1,060,319</u>	<u>\$ 134,786</u>

  

	2017		
	Share premium	Employee stock options	Others
At January 1	\$ 7,962,049	\$ 691,315	\$ 89,847
Employee stock options compensation cost	-	191,547	-
Employee stock options exercised	48,861	( 18,360)	-
At September 30	<u>\$ 8,010,910</u>	<u>\$ 864,502</u>	<u>\$ 89,847</u>

(10) 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 shareholders on June 27, 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)

- E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(16).

(11) Operating revenue

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Revenue from contracts with customers	\$ 315	\$ 13,062

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Sale of materials	Patent technology licensing	Service provision	Total
Three months ended September 30, 2018				
Revenue from external customer contracts				
Contract revenue	\$ -	\$ 315	\$ -	\$ 315
Timing of revenue recognition				
At a point in time	\$ -	\$ 315	\$ -	\$ 315
	Sale of materials	Patent technology licensing	Service provision	Total
Nine months ended September 30, 2018				
Revenue from external customer contracts				
Contract revenue	\$ 3,985	\$ 8,257	\$ 820	\$ 13,062
Timing of revenue recognition				
At a point in time	\$ 3,985	\$ 8,257	\$ 820	\$ 13,062

B. Related disclosures on operating revenue for the three months and nine months ended September 30, 2017 are provided in Note 12(5).

(12) Other income

	Three months ended September 30,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 24,129	\$ 14,224
Interest income from investments in debt instrument without active market	-	4,834
Total interest income	24,129	19,058
Other income, others	360	15
	<u>\$ 24,489</u>	<u>\$ 19,073</u>

	Nine months ended September 30,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 61,403	\$ 22,714
Interest income from financial assets at amortised cost	2,538	-
Interest income from investments in debt instrument without active market	-	18,086
Total interest income	63,941	40,800
Other income, others	399	46
	<u>\$ 64,340</u>	<u>\$ 40,846</u>

(13) Other gains and losses

	Three months ended September 30,	
	2018	2017
Net currency exchange loss	(\$ 7,547)	(\$ 8,831)
Miscellaneous disbursements	-	( 12)
	<u>(\$ 7,547)</u>	<u>(\$ 8,843)</u>

	Nine months ended September 30,	
	2018	2017
Net currency exchange gain (loss)	\$ 66,856	(\$ 190,885)
Gain on disposal of investments	290	-
Miscellaneous disbursements	( 8)	( 45)
	<u>\$ 67,138</u>	<u>(\$ 190,930)</u>

(14) Finance costs

	Three months ended September 30,	
	2018	2017
Interest expense	<u>\$ 413</u>	<u>\$ 296</u>

	Nine months ended September 30,	
	2018	2017
Interest expense	<u>\$ 1,420</u>	<u>\$ 915</u>

(15) Expenses by nature

	Three months ended September 30,	
	2018	2017
Employee benefit expenses	\$ 107,870	\$ 126,407
Clinical material expenses	67,785	106,508
Consulting and service fees	38,601	39,692
Clinical trials cost	166,677	20,315
Rental expenses	8,498	6,166
Depreciation charges on property, plant and equipment	14,072	13,838
Amortisation charges on intangible assets	16,377	3,667
Other expenses	20,526	29,620
Operating expenses	<u>\$ 440,406</u>	<u>\$ 346,213</u>

	Nine months ended September 30,	
	2018	2017
Employee benefit expenses	\$ 346,875	\$ 362,883
Clinical material expenses	170,020	183,749
Consulting and service fees	97,876	125,621
Clinical trials cost	214,869	60,410
Rental expenses	22,861	19,298
Depreciation charges on property, plant and equipment	43,131	37,194
Amortisation charges on intangible assets	48,524	9,246
Other expenses	45,524	70,203
Operating expenses	<u>\$ 989,680</u>	<u>\$ 868,604</u>

(16) Employee benefit expense

	Three months ended September 30,	
	2018	2017
	<u>Operating expense</u>	<u>Operating expense</u>
Wages and salaries	\$ 48,067	\$ 44,849
Employee stock options	51,750	74,705
Labor and health insurance fees	3,001	2,644
Pension costs	2,809	2,371
Other personnel expenses	2,243	1,838
	<u>\$ 107,870</u>	<u>\$ 126,407</u>



	Nine months ended September 30,	
	2018	2017
	Operating expense	Operating expense
Wages and salaries	\$ 142,220	\$ 148,568
Employee stock options	179,793	191,547
Labor and health insurance fees	8,486	8,355
Pension costs	8,039	7,806
Other personnel expenses	8,337	6,607
	<u>\$ 346,875</u>	<u>\$ 362,883</u>

- 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 September 30, 2018, the Company had an accumulated deficit; thus, no employees' compensation and directors' and supervisors' remuneration was recognised for the nine months ended September 30, 2018 and 2017. 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.

(17) Income tax

A. Components of income tax expense:

	Three months ended September 30,	
	2018	2017
Total current tax	(\$ 624)	(\$ 430)
Total deferred tax	2,109	-
Income tax benefit (expense)	<u>\$ 1,485</u>	<u>(\$ 430)</u>

  

	Nine months ended September 30,	
	2018	2017
Total current tax	(\$ 1,622)	(\$ 1,541)
Total deferred tax	6,325	-
Income tax benefit (expense)	<u>\$ 4,703</u>	<u>(\$ 1,541)</u>

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority. The subsidiary, AP Biosciences, Inc.'s income tax returns through 2016 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(18) Loss per share

Three months ended September 30, 2018			
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 415,181)	173,129	(\$ 2.40)

Three months ended September 30, 2017			
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 336,709)	171,229	(\$ 1.97)

Nine months ended September 30, 2018			
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 818,187)	173,064	(\$ 4.73)

Nine months ended September 30, 2017			
		Weighted-average number of ordinary shares outstanding	Loss per share
	Amount after tax	(shares in thousands)	(in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 1,020,778)	171,088	(\$ 5.97)

The potential ordinary shares have anti-dilutive effect due to net loss for the nine months ended September 30, 2018 and 2017, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

(19) Business combinations

- A. On January 10, 2018, the Group acquired 67% of the share capital of AP Biosciences, Inc. and obtained control over the company. The company engages in research and development of biotechnology. The Group expects the acquisition to boost the competitiveness of its products and improve its ability to develop new drugs.
- B. The following table summarises the consideration paid for AP Biosciences, Inc. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	January 10, 2018
Purchase consideration	
Equity instruments	\$ 289,775
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	111,288
	<u>401,063</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	10,708
Other receivables	353
Prepayments	1,351
Property, plant and equipment	1,417
Intangible assets	449,719
Other non-current assets	668
Other payables	( 33,514)
Other current liabilities	( 4,970)
Deferred income tax liabilities	( 88,497)
Total identifiable net assets	<u>337,235</u>
Goodwill	<u>\$ 63,828</u>

C. The fair value totaling \$289,775 of the 1,675 thousand ordinary shares issued as part of the consideration paid for AP Biosciences, Inc. was based on the published share price on January 10, 2018. Issuance costs totaling \$1,240 have been recognised in profit or loss.

D. The operating revenue and loss before income tax included in the consolidated statement of comprehensive income since January 10, 2018 contributed by AP Biosciences, Inc. were \$8,178 and \$78,777, respectively. Had AP Biosciences, Inc. been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of \$13,062 and loss before income tax of \$847,503.

(20) Operating leases

The Group leases offices under non-cancellable operating lease agreements. For the three months and nine months ended September 30, 2018 and 2017, the Group recognised rental expenses of \$8,498, \$6,166, \$22,861 and \$19,298, 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

	Nine months ended September 30,	
	2018	2017
Acquisition of property, plant and equipment	\$ 12,519	\$ 52,122
Add: Opening balance of payable	1,742	1,375
Less: Ending balance of payable	( 589)	( 5,671)
Cash paid during the period	<u>\$ 13,672</u>	<u>\$ 47,826</u>
	Nine months ended September 30,	
	2018	2017
Acquisition of intangible assets	\$ 621	\$ 95,572
Add: Opening balance of payable	-	360
Less: Ending balance of payable	-	-
Cash paid during the period	<u>\$ 621</u>	<u>\$ 95,932</u>

(22) Changes in liabilities from financing activities

	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	\$ 71,000	\$ 71,000
Changes in cash flow from financing activities	( 6,750)	( 6,750)
At September 30, 2018	<u>\$ 64,250</u>	<u>\$ 64,250</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As of September 30, 2018, the Company does not have an ultimate parent or controlling party.

(2) Name of related party and relationship

<u>Name of related party</u>	<u>Relationship with the Group</u>
Amaran Biotechnology Inc.	Other related parties

(3) Significant related party transactions

A. Operating revenue

	<u>Three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Sale of materials :		
Other related parties		
-Amaran Biotechnology Inc.	\$ <u>-</u>	\$ <u>-</u>
	<u>Nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Sale of material :		
Other related parties		
-Amaran Biotechnology Inc.	\$ <u>3,985</u>	\$ <u>-</u>

The transaction price and payment terms of the sale of material are based on the mutual agreement.

B. Research and development expenses

	<u>Three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties		
-Amaran Biotechnology Inc.	\$ <u>4,580</u>	\$ <u>5,765</u>
	<u>Nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties		
-Amaran Biotechnology Inc.	\$ <u>6,814</u>	\$ <u>13,312</u>

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.

C. Other payables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties			
-Amaran			
Biotechnology Inc.	\$ <u>-</u>	\$ <u>5,622</u>	\$ <u>-</u>

It was paid for research and development expenditures.

#### D. 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 September 30, 2018, 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 nine months ended September 30, 2018 and 2017, experimental equipments amounting to \$0 and \$915, respectively, were purchased from Amaran Biotechnology Inc.

#### (4) Key management compensation

	Three months ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 21,537	\$ 20,754
Share-based payments	48,165	33,594
	<u>\$ 69,702</u>	<u>\$ 54,348</u>

  

	Nine months ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 64,222	\$ 74,086
Share-based payments	103,836	95,417
	<u>\$ 168,058</u>	<u>\$ 169,503</u>

#### 8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2018	December 31, 2017	September 30, 2017	
Land	\$ 87,514	\$ 87,514	\$ 87,514	Long-term borrowings (Note)
Buildings and structures	14,396	14,621	14,696	Long-term borrowings (Note)
Other non-current assets	33,538	31,848	32,153	Deposits for clinical trial agreement and rental deposit, etc.
	<u>\$ 135,448</u>	<u>\$ 133,983</u>	<u>\$ 134,363</u>	

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(5) 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 September 30, 2018, the Company has paid \$18,964.
- (3) Except for the promised payments described in Note 6(4) Intangible assets, the Group entered into operating lease contracts for its offices. Future lease payments under those leases were as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Not later than one year	\$ 19,801	\$ 20,860	\$ 15,246
Later than one year but not later than five years	61,440	56,375	70,467
Over five years	<u>32,288</u>	<u>44,396</u>	<u>32,288</u>
	<u>\$ 113,529</u>	<u>\$ 121,631</u>	<u>\$ 118,001</u>

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 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 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio within reasonable security range. The ratios are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Total liability	\$ 171,056	\$ 129,656	\$ 95,112
Less: Cash and cash equivalents	<u>3,954,978</u>	<u>2,555,275</u>	<u>2,831,574</u>
Net debt	<u>(\$ 3,783,922)</u>	<u>(\$ 2,425,619)</u>	<u>(\$ 2,736,462)</u>
Total equity	<u>(\$ 4,828,735)</u>	<u>(\$ 5,060,373)</u>	<u>(\$ 5,348,016)</u>

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
-Designation of equity instrument	\$ 8,300	\$ -	\$ -
Available-for-sale financial assets			
Available-for-sale financial assets	-	10,160	11,057
Financial assets at amortised cost/loans and receivables			
Cash and cash equivalents	3,945,078	2,555,275	2,831,574
Investments in debt instrument without active market	-	2,022,658	2,040,511
Accounts receivable	934	103	-
Other receivables	33,663	60,430	45,970
Other financial assets	<u>33,538</u>	<u>31,848</u>	<u>32,153</u>
	<u>\$ 4,021,513</u>	<u>\$ 4,680,474</u>	<u>\$ 4,961,265</u>



	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Other payables (including related parties)	\$ 18,757	\$ 57,162	\$ 20,239
Long-term borrowings (including current portion)	<u>64,250</u>	<u>71,000</u>	<u>73,250</u>
	<u>\$ 83,007</u>	<u>\$ 128,162</u>	<u>\$ 93,489</u>

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

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. 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:

September 30, 2018						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 99,477	30.53	\$ 3,036,535	1%	\$ 30,365	\$ -
RMB:NTD	44,080	4.436	195,539	1%	1,955	-
USD:RMB	259	6.88	7,906	1%	79	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD	1,823	30.53	55,657	-	-	-
RMB:USD	1,766	0.145	7,834	-	-	-
AUD:NTD	629	22.035	13,868	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	681	30.53	20,788	1%	208	-
December 31, 2017						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 108,525	29.76	\$ 3,229,704	1%	\$ 32,297	\$ -
RMB:NTD	42,137	4.565	192,355	1%	1,924	-
USD:RMB	301	6.52	8,958	1%	90	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD	1,902	29.76	56,613	-	-	-
RMB:USD	2,595	0.153	11,844	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	486	29.76	14,464	1%	145	-

September 30, 2017

September 30, 2017							
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis			
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$ 115,202	30.26	\$ 3,486,013	1%	\$ 34,860	\$ -	-
RMB:NTD	42,137	4.55	191,765	1%	1,918	-	-
<u>Financial assets</u>							
<u>Non-monetary items</u>							
USD:NTD	1,919	30.26	58,072	-	-	-	-
RMB:USD	2,874	0.150	13,081	-	-	-	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	14	30.26	424	1%	4	-	-

- v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2018 and 2017, amounted to (\$7,547), (\$8,831), \$66,856 and (190,885), respectively.

#### Price risk

- The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income and available-for-sale financial assets. 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.
- 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 nine months ended September 30, 2018 and 2017 would have increased / decreased by \$83 and \$111, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income and available-for-sale equity investment.

#### Cash flow and fair value interest rate risk

- 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 nine months ended September 30, 2018 and 2017.

- ii. At September 30, 2018 and 2017, if interest rates had been 1% higher or lower with all other variables held constant, post-tax profit for the nine months ended September 30, 2018 and 2017 would have been \$404 and \$475 lower or higher, respectively, mainly as a result of changes in interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with stable credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 180 days.
- v. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;

- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. When estimating the allowance for uncollectible accounts for receivables, the Group incorporates forward-looking information in the adjustment of the loss rate, which is calculated based on historical data from specific periods and current information. As of September 30, 2018, the expected loss rate of the Group's accounts receivable that are not past due is immaterial.
- viii. Credit risk information as of December 31, 2017, September 30, 2017 and for the third quarter of 2017 is provided in Note 12(4).

(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 September 30, 2018, December 31, 2017 and September 30, 2017, the Group's financial assets at amortised cost / investments in debt instruments without active market amounted to \$0, \$2,022,658 and \$2,040,511, 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.

September 30, 2018					
	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	\$ 18,757	\$ -	\$ -	\$ -	\$ -
Long-term borrowings (including current portion)	9,950	9,806	9,662	15,443	23,326

	December 31, 2017				
	Less than <u>1 year</u>	Between 1 and <u>2 years</u>	Between 2 and <u>3 years</u>	Between 3 and <u>5 years</u>	Over <u>5 years</u>
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

	September 30, 2017				
	Less than	Between 1	Between 2	Between 3	Over
	<u>1 year</u>	<u>and</u> <u>2 years</u>	<u>and</u> <u>3 years</u>	<u>and</u> <u>5 years</u>	<u>5 years</u>
Non-derivative financial liabilities:					
Other payables	\$ 20,239	\$ -	\$ -	\$ -	\$ -
Long-term borrowings (including current portion)	10,094	9,950	9,806	17,690	30,742

- 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. 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.

- B. The carrying amount of financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, investments in debt instruments without active market, and other payables (including those to related parties)) is a reasonable approximation to their fair value; the interest rate on long-term borrowings (including the portion due within a year or one operating cycle) is close to the market interest rate, therefore their carrying amount is a reasonable basis for the estimation of their fair value.

- 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 is as follows:

September 30, 2018				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 8,300	\$ 8,300

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

September 30, 2017				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	\$ -	\$ -	\$ 11,057	\$ 11,057

- 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:

	<u>Fair value at September 30, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (median)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 8,300</u>	Market comparable companies	Price to book ratio multiple	0.79~3.79 (1.66)	The higher the multiple, 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
	<u>Fair value at December 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (median)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 10,160</u>	Market comparable companies	Price to book ratio multiple	0.79~3.30 (1.89)	The higher the multiple, 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



	<u>Fair value at June 30, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 11,057</u>	Market comparable companies	Price to book ratio multiple  Discount for lack of marketability	0.78~3.09 (1.98)  25%(25%)	The higher the multiple, the higher the fair value  The higher the discount for lack of marketability, the lower the fair value

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:

			September 30, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 78	(\$ 78)
	Discount for lack of marketability	±1%	-	-	28	( 28)
			December 31, 2017			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 98	(\$ 98)
	Discount for lack of marketability	±1%	-	-	132	( 132)

			September 30, 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%	\$ -	\$ -	\$ 117	(\$ 117)
	Discount for lack of marketability	±1%	-	-	36	( 36)

G. The following chart is the movement of Level 3 for the nine months ended September 30, 2018 and 2017:

		Equity securities	
		Nine months ended September 30,	
		2018	2017
Opening net book amount		\$ 10,160	\$ 27,181
Loss recognised in other comprehensive income		( 1,860)	( 16,124)
Closing net book amount		<u>\$ 8,300</u>	<u>\$ 11,057</u>

H. As of September 30, 2018, December 31, 2017 and September 30, 2017, there was no transfer into or out from Level 3.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017 and the third quarter of 2017:

(a) Available-for-sale financial assets

- i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. 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.

(b) Loans and receivables

- i. 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 initially recognised 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.

ii. Investment in debt instrument without active market

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

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

- i. 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.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
  - (i) Significant financial difficulty of the issuer or debtor;
  - (ii) 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;
  - (iii) 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;
  - (iv) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Group assessed there was objective evidence of impairment, and the impairment loss has incurred, 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.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, are as follows:

IFRS 9	IAS 39	Available- for-sale- equity	Debt instrument without active markets	Total	Effects	
					Retained earnings	Other equity interest
Transferred into and measured at fair value through other comprehensive income-equity		\$ 10,160	\$ -	\$ 10,160	\$ -	\$ -
Transferred into and measured at amortised cost		-	2,022,658	2,022,658	-	-

- (a) Under IAS 39, because the cash flows of debt instruments, which were classified as debt instruments without active markets, amounting to \$2,022,658, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at amortised cost" amounting to \$2,022,658.
- (b) Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets, amounting to \$10,160, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to \$10,160.
- (c) The accounting policies applied for the aforementioned financial assets were transitioned from IAS 39 on December 31, 2017 to IFRS 9 on January 1, 2018. The impact of the transition on retained earnings and other equity interest was immaterial.
- C. The significant accounts as of December 31, 2017 and September 30, 2017, and for the third quarter of 2017 are as follows:

(a) Available-for-sale financial assets

Items	December 31, 2017	September 30, 2017
Non-current item:		
Unlisted shares	\$ 27,181	\$ 27,181
Valuation adjustment	(17,021)	(16,124)
Total	<u>\$ 10,160</u>	<u>\$ 11,057</u>

- i. For the year ended December 31, 2017, the three months ended September 30, 2017, and the nine months ended September 30, 2017, the change in fair value recognised in other comprehensive income was \$17,021, (\$16,124) and (\$16,124), respectively.
- ii. The Group has no available-for-sale financial assets pledged to others.

(b) Investments in debt instruments without active markets

Items	December 31, 2017	September 30, 2017
Current item:		
Time deposits	\$ 2,022,658	\$ 2,040,511

i. The Group recognised interest income of \$22,751, \$4,834, and \$18,086 for investments in debt instrument without active market in profit or loss for the year ended December 31, 2017, the three months ended September 30, 2017, and nine months ended September 30, 2017, respectively.

ii. No investments in debt instruments without active markets held by the Group was pledged to others.

D. Information on the credit risk as of December 31, 2017 and September 30, 2017, and for the third quarter of 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by counterparties of financial instruments on the contract obligations. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers who commissioned the Group to research, including outstanding receivables and commitment transactions. For banks and financial institutions, only independently rated parties with stable credit rating are accepted.

(b) For the year ended December 31, 2017 and the third quarter of 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 and for the third quarter of 2017 are set out below.

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.

B. The revenue recognised by using above accounting policies for the third quarter of 2017 are as follows:

	Three months ended September 30, 2018	Six months ended September 30, 2017
Revenue from sale of materials	\$ -	\$ 366

C. If the Group continued adopting the aforementioned accounting policy in the third quarter of 2018, it would have had no significant impact on the balance sheet and comprehensive income statement.

### 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.



OBI Pharma, Inc. and Subsidiaries

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

September 30, 2018

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 September 30, 2018				
				Number of shares	Book value	Ownership	Fair value	Footnote
OBI Pharma, Inc.	Stock - Agnitio Science & Technology Inc.	None	Financial assets at fair value through other comprehensive income-non-current	1,734,036	\$ 8,300	4.19%	\$ 8,300	None

OBI Pharma, Inc. and Subsidiaries  
Significant inter-company transactions during the reporting period  
Nine months ended September 30, 2018

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	OBI Pharma USA, Inc.	OBI Pharma, Inc.	2	Accounts receivable	\$ 20,792	(Note 4)	0.42%
1	"	"	"	Service revenue	52,157	"	399.30%

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  
Nine months ended September 30, 2018

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2018			Net profit (loss) of the investee for the nine months ended September 30, 2018	Investment income (loss) recognised by the Company for the nine months ended September 30, 2018	Footnote
				Balance as at September 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
OBI Pharma, Inc.	OBI Pharma Limited	Hong Kong	Investments and trading	\$ 35,104	\$ 35,104	1,150,000	100.00	\$ 9,173	(\$ 11,346)	(\$ 11,346)	Note 2
"	OBI Pharma USA, Inc.	USA	Research and development of biotechnology	82,418	82,418	2,701	100.00	46,484	( 14,574)	( 14,574)	"
"	AP Biosciences, Inc.	Taiwan	Research and development of biotechnology	350,075	-	8,040,000	67.00	322,284	( 54,727)	( 48,543)	"
"	OBI Pharma Ausyralia Pty Ltd.	Australia	Research and development of biotechnology	14,325	-	650,100	100.00	13,868	( 470)	( 470)	"
AP Biosciences, Inc.	Ablogix Inc.	USA	Research and development of biotechnology	-	-	-	-	-	( 338)	( 338)	Note 2 and Note 3

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.

Note 3: The dissolution of Ablogix Inc. had been dissolved in March 2018.

OBI Pharma, Inc. and Subsidiaries  
Information on investments in Mainland China  
Nine months ended September 30, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee for the nine months ended September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2018	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
OBI Pharma (Shanghai) Limited	Research and development of biotechnology	\$ 30,525	Note 1	\$ 30,525	-	-	\$ 30,525	\$ 11,331	100.00	\$ 11,331	\$ 7,832	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018 (Note 2)		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.	\$ 30,525		\$ 30,525		\$ 2,897,242								

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 reviewed 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.