

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2020 AND 2019

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.

INDEPENDENT AUDITORS' REVIEW REPORT 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, 2020 and 2019, 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 the 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, 2020 and 2019, 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 the 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.

David Teng

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

November 6, 2020

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, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Assets	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,481,709	71	\$ 4,551,114	80	\$ 4,870,099	82
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		364,024	7	-	-	-	-
1170	Accounts receivable, net		1,085	-	854	-	569	-
1200	Other receivables		24,948	1	38,341	1	26,886	-
1410	Prepayments		141,853	3	115,667	2	106,859	2
11XX	Total current assets		<u>4,013,619</u>	<u>82</u>	<u>4,705,976</u>	<u>83</u>	<u>5,004,413</u>	<u>84</u>
Non-current assets								
1517	Financial assets at fair value	6(3)						
	through other comprehensive							
	income - non-current		12,826	-	8,318	-	7,141	-
1600	Property, plant and equipment,	6(4) and 7						
	net		240,068	5	253,487	5	253,017	4
1755	Right-of-use assets	6(5)	102,615	2	121,464	2	110,237	2
1780	Intangible assets, net	6(6)	467,659	10	513,633	9	528,470	9
1900	Other non-current assets	8	41,168	1	60,288	1	63,685	1
15XX	Total non-current assets		<u>864,336</u>	<u>18</u>	<u>957,190</u>	<u>17</u>	<u>962,550</u>	<u>16</u>
1XXX	Total assets		<u>\$ 4,877,955</u>	<u>100</u>	<u>\$ 5,663,166</u>	<u>100</u>	<u>\$ 5,966,963</u>	<u>100</u>

(Continued)

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2130	Current contract liabilities	6(13)	\$ 77,640	2	\$ 19,410	-	\$ -	-
2200	Other payables		46,639	1	123,494	2	26,727	-
2220	Other payables to related parties	7	-	-	6,013	-	-	-
2230	Current income tax liabilities		1,512	-	858	-	686	-
2280	Current lease liabilities		40,451	1	39,288	1	28,971	1
2320	Long-term liabilities, current portion	6(7)	9,000	-	9,711	-	9,747	-
2399	Other current liabilities		1,411	-	1,230	-	1,356	-
21XX	Total current liabilities		<u>176,653</u>	<u>4</u>	<u>200,004</u>	<u>3</u>	<u>67,487</u>	<u>1</u>
Non-current liabilities								
2527	Non-current contract liabilities	6(13)	-	-	58,230	1	-	-
2540	Long-term borrowings	6(7)	37,250	1	43,289	1	45,503	1
2570	Deferred income tax liabilities		65,305	1	71,629	1	73,738	1
2580	Non-current lease liabilities		67,283	1	85,993	2	84,629	2
25XX	Total non-current liabilities		<u>169,838</u>	<u>3</u>	<u>259,141</u>	<u>5</u>	<u>203,870</u>	<u>4</u>
2XXX	Total liabilities		<u>346,491</u>	<u>7</u>	<u>459,145</u>	<u>8</u>	<u>271,357</u>	<u>5</u>
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(10)	1,885,862	39	1,881,287	33	1,881,287	31
3200	Capital surplus	6(9)(11)	3,299,464	67	11,504,987	203	11,477,385	192
Retained earnings								
3350	Accumulated deficit	6(12)	(1,008,864)	(21)	(8,259,036)	(146)	(7,748,585)	(130)
3400	Other equity interest	6(3)	(18,166)	-	(22,392)	-	(21,521)	-
31XX	Equity attributable to owners of the parent		<u>4,158,296</u>	<u>85</u>	<u>5,104,846</u>	<u>90</u>	<u>5,588,566</u>	<u>93</u>
36XX	Non-controlling interest	4(3)	<u>373,168</u>	<u>8</u>	<u>99,175</u>	<u>2</u>	<u>107,040</u>	<u>2</u>
3XXX	Total equity		<u>4,531,464</u>	<u>93</u>	<u>5,204,021</u>	<u>92</u>	<u>5,695,606</u>	<u>95</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments								
Significant Events after the Balance Sheet Date								
3X2X	Total liabilities and equity		<u>\$ 4,877,955</u>	<u>100</u>	<u>\$ 5,663,166</u>	<u>100</u>	<u>\$ 5,966,963</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
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except loss per share amount)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2020		2019		2020		2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(13)	\$ 554	-	\$ 217	-	\$ 61,020	6	\$ 567	-
5000	Operating costs		-	-	-	-	-	-	-	-
5900	Gross profit		554	-	217	-	61,020	6	567	-
	Operating expenses	6(4)(5)(6)(8) (9) and 7								
6200	Administrative expenses		(71,408)	(18)	(52,424)	(16)	(187,266)	(18)	(207,279)	(22)
6300	Research and development expenses		(294,700)	(75)	(285,024)	(86)	(888,651)	(87)	(804,726)	(87)
6000	Total operating expenses		(366,108)	(93)	(337,448)	(102)	(1,075,917)	(105)	(1,012,005)	(109)
6900	Operating loss		(365,554)	(93)	(337,231)	(102)	(1,014,897)	(99)	(1,011,438)	(109)
	Non-operating income and expenses									
7100	Interest income	6(14)	4,782	1	21,785	7	40,285	4	69,564	7
7010	Other income		3,348	1	286	-	5,207	-	4,291	-
7020	Other gains and losses	6(15)	(34,676)	(9)	(14,670)	(5)	(51,664)	(5)	(15,288)	2
7050	Finance costs	6(16)	(731)	-	(762)	-	(2,278)	-	(1,989)	-
7000	Total non-operating income and expenses		(27,277)	(7)	6,639	2	(8,450)	(1)	87,154	9
7900	Loss before tax		(392,831)	(100)	(330,592)	(100)	(1,023,347)	(100)	(924,284)	(100)
7950	Income tax benefit		590	-	1,419	-	2,807	-	4,358	-
8200	Loss for the period		<u>(\$ 392,241)</u>	<u>(100)</u>	<u>(\$ 329,173)</u>	<u>(100)</u>	<u>(\$ 1,020,540)</u>	<u>(100)</u>	<u>(\$ 919,926)</u>	<u>(100)</u>
	Other comprehensive income (loss), net									
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8316	Unrealised valuation gains and loss from equity investment instruments measured at fair value through other comprehensive income	6(3)	\$ 2,359	1	(\$ 170)	-	\$ 4,508	1	(\$ 313)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		(4,056)	(1)	(534)	-	(282)	-	209	-
8300	Other comprehensive income (loss) for the period, net		<u>(\$ 1,697)</u>	<u>-</u>	<u>(\$ 704)</u>	<u>-</u>	<u>\$ 4,226</u>	<u>1</u>	<u>(\$ 104)</u>	<u>-</u>
8500	Total comprehensive loss for the period		<u>(\$ 393,938)</u>	<u>(100)</u>	<u>(\$ 329,877)</u>	<u>(100)</u>	<u>(\$ 1,016,314)</u>	<u>(99)</u>	<u>(\$ 920,030)</u>	<u>(100)</u>
	Loss attributable to:									
8610	Owners of the parent		(\$ 380,460)	(97)	(\$ 320,926)	(97)	(\$ 1,008,864)	(99)	(\$ 896,575)	(97)
8620	Non-controlling interest		(\$ 11,781)	(3)	(\$ 8,247)	(2)	(\$ 11,676)	(1)	(\$ 23,351)	(3)
	Comprehensive loss attributable to:									
8710	Owners of the parent		(\$ 382,157)	(97)	(\$ 321,630)	(97)	(\$ 1,004,638)	(98)	(\$ 896,679)	(97)
8720	Non-controlling interest		(\$ 11,781)	(3)	(\$ 8,247)	(2)	(\$ 11,676)	(1)	(\$ 23,351)	(3)
	Loss per share (in dollars)									
9750	Basic and diluted loss per share		<u>(\$ 2.02)</u>		<u>(\$ 1.71)</u>		<u>(\$ 5.36)</u>		<u>(\$ 5.01)</u>	

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Equity attributable to owners of the parent											
	Notes	Capital Surplus				Other Equity Interest						
		Share capital - common stock	Capital surplus, additional paid-in capital	Employee stock options	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total	Non-controlling interest	Total equity
Nine months ended September 30, 2019												
Balance at January 1, 2019		\$ 1,739,907	\$ 8,284,772	\$ 1,099,675	\$ 145,671	(\$ 6,514,955)	(\$ 1,690)	(\$ 19,727)	(\$ 386,721)	\$ 4,346,932	\$ 126,534	\$ 4,473,466
Net loss for the period		-	-	-	-	(896,575)	-	-	-	(896,575)	(23,351)	(919,926)
Other comprehensive income (loss) for the period		-	-	-	-	-	209	(313)	-	(104)	-	(104)
Total comprehensive income (loss) for the period		-	-	-	-	(896,575)	209	(313)	-	(896,679)	(23,351)	(920,030)
Capital increase by cash	6(10)(11)	150,000	1,875,000	-	-	-	-	-	-	2,025,000	-	2,025,000
Treasury stock retired	6(10)(11)(12)	(8,620)	(41,046)	-	-	(337,055)	-	-	386,721	-	-	-
Share-based payment transactions	6(9)(10)(11)(18)	-	8,351	39,080	65,882	-	-	-	-	113,313	3,857	117,170
Balance at September 30, 2019		\$ 1,881,287	\$ 10,127,077	\$ 1,138,755	\$ 211,553	(\$ 7,748,585)	(\$ 1,481)	(\$ 20,040)	\$ -	\$ 5,588,566	\$ 107,040	\$ 5,695,606
Nine months ended September 30, 2020												
Balance at January 1, 2020		\$ 1,881,287	\$ 10,127,077	\$ 1,159,405	\$ 218,505	(\$ 8,259,036)	(\$ 3,529)	(\$ 18,863)	\$ -	\$ 5,104,846	\$ 99,175	\$ 5,204,021
Net loss for the period		-	-	-	-	(1,008,864)	-	-	-	(1,008,864)	(11,676)	(1,020,540)
Other comprehensive income (loss) for the period		-	-	-	-	-	(282)	4,508	-	4,226	-	4,226
Total comprehensive income (loss) for the period		-	-	-	-	(1,008,864)	(282)	4,508	-	(1,004,638)	(11,676)	(1,016,314)
Capital surplus used to cover accumulated deficit	6(11)(12)	-	(8,259,036)	-	-	8,259,036	-	-	-	-	-	-
Share-based payment transactions	6(9)(10)(11)(18)	4,575	1,468	26,929	13,199	-	-	-	-	46,171	1,669	47,840
Disgorgement exercise	6(11)	-	-	-	11,917	-	-	-	-	11,917	-	11,917
Changes in non-controlling interest - effect of subsidiary's issuance of common stock for cash		-	-	-	-	-	-	-	-	-	284,000	284,000
Balance at September 30, 2020		\$ 1,885,862	\$ 1,869,509	\$ 1,186,334	\$ 243,621	(\$ 1,008,864)	(\$ 3,811)	(\$ 14,355)	\$ -	\$ 4,158,296	\$ 373,168	\$ 4,531,464

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30,	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 1,023,347)	(\$ 924,284)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(4)(5)	91,829	74,814
Amortisation	6(6)	47,828	48,094
Interest expense		2,278	1,989
Interest income	6(14)	(40,285)	(69,564)
Gains on financial assets at fair value through profit or loss	6(2)	(4,921)	-
Compensation cost for share-based payment transactions	6(9)	43,265	117,170
Prepaid equipment transferred to expense		229	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		(231)	303
Other receivables		(8,911)	(157)
Prepayments		(26,186)	(16,311)
Changes in operating liabilities			
Other payables		(73,522)	(61,480)
Other payables to related parties		(6,013)	(3,652)
Other current liabilities		181	15
Cash outflow generated from operations		(997,806)	(833,063)
Interest received		62,589	80,051
Income tax paid		(2,863)	(1,781)
Interest paid		(2,278)	(1,989)
Net cash flows used in operating activities		(940,358)	(756,782)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss	6(2)	(705,773)	-
Proceeds from disposal of financial assets at fair value through profit or loss	6(2)	346,670	-
Acquisition of property, plant and equipment	6(21)	(23,600)	(26,547)
Acquisition of intangible assets	6(6)	(1,854)	(2,489)
Increase in prepayments for business facilities		(4,686)	(8,159)
Increase in refundable deposits		(1,113)	(1,964)
Net cash flows used in investing activities		(390,356)	(39,159)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of long-term debt	6(7)	(6,750)	(6,750)
Proceeds from exercise of employee stock options	6(9)(10)	4,575	-
Repayment of lease principal	6(5)	(32,138)	(17,014)
Proceeds from cash capital increase	6(10)(11)	-	2,025,000
Subsidiary's issuance of common stock for cash		284,000	-
Disgorgement exercise	6(11)	11,917	-
Net cash flows from financing activities		261,604	2,001,236
Effects due to changes in exchange rate		(295)	211
Net (decrease) increase in cash and cash equivalents		(1,069,405)	1,205,506
Cash and cash equivalents at beginning of period		4,551,114	3,664,593
Cash and cash equivalents at end of period		<u>\$ 3,481,709</u>	<u>\$ 4,870,099</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, 2020 AND 2019

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

(Reviewed, not audited)

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 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 6, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments 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 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	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.

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform-Phase 2'	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 profit or loss and financial assets at fair value through other comprehensive income, 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.

(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, 2020	December 31, 2019	September 30, 2019	
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	67.00	67.00	Note
The Company	OBI Pharma Australia Pty Ltd.	Biotechnology development	100.00	100.00	100.00	
OBI Pharma Limited	OBI Pharma (Shanghai) Limited	Biotechnology development	100.00	100.00	100.00	

Note: On October 23, 2020, the Board of Directors of the subsidiary, AP Biosciences, Inc., planned to increase its capital by issuing 10,566 thousand new shares and set the effective date on November 2, 2020. However, as the Company did not acquire shares proportionally to its interest and the capital increase is yet to be completed, the shareholding ratio remained unchanged.

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:

As of September 30, 2020, December 31, 2019 and September 30, 2019, the non-controlling interest amounted to \$373,168, \$99,175 and \$107,040, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest						Description
		September 30, 2020		December 31, 2019		September 30, 2019		
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)	
AP Biosciences, Inc.	Taiwan	\$ 373,168	33%	\$ 99,175	33%	\$ 107,040	33%	(Note)

Note: The subsidiary, AP Biosciences, Inc., set the effective date of capital increase on November 2, 2020. However, as the capital increase is yet to be completed as of September 30, 2020, the shareholding ratio remained unchanged.

Summarised financial information of the subsidiaries:

Balance sheet

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current assets	\$ 649,930	\$ 74,762	\$ 21,127
Non-current assets	346,603	379,107	380,690
Current liabilities	(28,834)	(23,481)	(3,586)
Non-current liabilities	(123,534)	(129,860)	(73,866)
Total net assets	<u>\$ 844,165</u>	<u>\$ 300,528</u>	<u>\$ 324,365</u>

Statement of comprehensive income

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	\$ -	\$ -
Loss before tax	(37,809)	(27,098)
Income tax benefit	<u>2,108</u>	<u>2,108</u>
Loss for the period	(35,701)	(24,990)
Other comprehensive loss	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>(\$ 35,701)</u>	<u>(\$ 24,990)</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 11,781)</u>	<u>(\$ 8,247)</u>
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	\$ 59,920	\$ -
Loss before tax	(41,708)	(77,084)
Income tax benefit	<u>6,325</u>	<u>6,325</u>
Loss for the period	(35,383)	(70,759)
Other comprehensive loss	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>(\$ 35,383)</u>	<u>(\$ 70,759)</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 11,676)</u>	<u>(\$ 23,351)</u>

Statements of cash flows

	Nine months ended September 30,	
	2020	2019
Net cash provided by (used in) operating activities	\$ 6,008	(\$ 31,648)
Net cash used in investing activities	(5,001)	(5,075)
Net cash provided by financing activities	<u>573,960</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>574,967</u>	<u>(36,723)</u>
Cash and cash equivalents at beginning of period	<u>73,963</u>	<u>55,942</u>
Cash and cash equivalents at end of period	<u>\$ 648,930</u>	<u>\$ 19,219</u>

(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 profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income 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 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.

(9) 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.

(10) Derecognition of financial assets

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

(11) 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.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(12) Operating leases (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- The amount of the initial measurement of lease liability;
 - Any lease payments made at or before the commencement date; and
 - Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(13) Intangible assets

- A. Patent and acquired special technology:
- 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 the estimated useful life 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 10 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.

(14) 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.

(15) 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.

(16) Derecognition of financial liabilities

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

(17) Employee benefits

A. Short-term employee benefits

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

B. Pensions - Defined contribution plans

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

C. Employees' compensation and directors' remuneration

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

(18) Employee share-based payment

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

(19) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary

differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

(20) 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.

(21) Revenue recognition

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 is transferred 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.

(22) Operating segments

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

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

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

(1) Impairment assessment of intangible assets (excluding goodwill)

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

(2) Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand	\$ 130	\$ 130	\$ 130
Checking accounts and demand deposits	1,229,239	980,227	272,207
Time deposits	<u>2,252,340</u>	<u>3,570,757</u>	<u>4,597,762</u>
	<u>\$ 3,481,709</u>	<u>\$ 4,551,114</u>	<u>\$ 4,870,099</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 profit or loss

<u>Items</u>	<u>September 30, 2020</u>
Current item:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	\$ 106,576
Open-end fund	<u>252,527</u>
	359,103
Valuation adjustment	<u>4,921</u>
	<u>\$ 364,024</u>

A. The Group recognised a gain of \$11,276 and \$27,828 on financial assets at fair value through profit or loss for the three months and nine months ended September 30, 2020, respectively. There was no such transaction for the nine months ended September 30, 2019.

B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Non-current item:			
Unlisted stocks	\$ 27,181	\$ 27,181	\$ 27,181
Valuation adjustment	<u>(14,355)</u>	<u>(18,863)</u>	<u>(20,040)</u>
	<u>\$ 12,826</u>	<u>\$ 8,318</u>	<u>\$ 7,141</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 \$12,826, \$8,318 and \$7,141 as at September 30, 2020, December 31, 2019 and September 30, 2019, respectively.
- 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</u>	
	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 2,359	(\$ 170)
	<u>2,359</u>	<u>(170)</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 4,508	(\$ 313)
	<u>4,508</u>	<u>(313)</u>

- C. As at September 30, 2020, December 31, 2019 and September 30, 2019, 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 \$12,826, \$8,318 and \$7,141, respectively.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Property, plant and equipment

The Group's property, plant and equipment are mainly for its own use. Details are as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Lab equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2020</u>						
Cost	\$ 87,514	\$ 26,818	\$ 320,696	\$ 22,316	\$ 62,203	\$ 519,547
Accumulated depreciation	-	(10,171)	(198,426)	(18,795)	(38,668)	(266,060)
	<u>\$ 87,514</u>	<u>\$ 16,647</u>	<u>\$ 122,270</u>	<u>\$ 3,521</u>	<u>\$ 23,535</u>	<u>\$ 253,487</u>
<u>2020</u>						
At January 1	\$ 87,514	\$ 16,647	\$ 122,270	\$ 3,521	\$ 23,535	\$ 253,487
Additions	-	-	10,645	2,457	7,166	20,268
Reclassifications (Note 1)	-	-	20,450	-	4,240	24,690
Depreciation	-	(2,852)	(43,822)	(1,953)	(9,760)	(58,387)
Net exchange differences	-	-	(1)	-	11	10
At September 30	<u>\$ 87,514</u>	<u>\$ 13,795</u>	<u>\$ 109,542</u>	<u>\$ 4,025</u>	<u>\$ 25,192</u>	<u>\$ 240,068</u>
<u>At September 30,</u>						
Cost	\$ 87,514	\$ 26,818	\$ 351,778	\$ 24,748	\$ 73,615	\$ 564,473
Accumulated depreciation	-	(13,023)	(242,236)	(20,723)	(48,423)	(324,405)
	<u>\$ 87,514</u>	<u>\$ 13,795</u>	<u>\$ 109,542</u>	<u>\$ 4,025</u>	<u>\$ 25,192</u>	<u>\$ 240,068</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Lab equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2019</u>						
Cost	\$ 87,514	\$ 26,818	\$ 251,293	\$ 20,487	\$ 36,939	\$ 423,051
Accumulated depreciation	-	(5,930)	(140,175)	(14,941)	(26,563)	(187,609)
	<u>\$ 87,514</u>	<u>\$ 20,888</u>	<u>\$ 111,118</u>	<u>\$ 5,546</u>	<u>\$ 10,376</u>	<u>\$ 235,442</u>
<u>2019</u>						
At January 1	\$ 87,514	\$ 20,888	\$ 111,118	\$ 5,546	\$ 10,376	\$ 235,442
Additions	-	-	22,152	1,941	2,189	26,282
Reclassifications (Note 1)	-	-	28,430	-	17,301	45,731
Depreciation	-	(3,180)	(39,959)	(2,971)	(8,328)	(54,438)
At September 30	<u>\$ 87,514</u>	<u>\$ 17,708</u>	<u>\$ 121,741</u>	<u>\$ 4,516</u>	<u>\$ 21,538</u>	<u>\$ 253,017</u>
<u>At September 30,</u>						
Cost	\$ 87,514	\$ 26,818	\$ 305,913	\$ 22,307	\$ 57,332	\$ 499,884
Accumulated depreciation	-	(9,110)	(184,172)	(17,791)	(35,794)	(246,867)
	<u>\$ 87,514</u>	<u>\$ 17,708</u>	<u>\$ 121,741</u>	<u>\$ 4,516</u>	<u>\$ 21,538</u>	<u>\$ 253,017</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.

Note 3: Please refer to Note 6(21).

(5) Leasing arrangements - lessee

- A. The Group leases various assets including office space and business vehicles. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. Short-term leases with a lease term of 12 months or less comprise offices. Low-value assets comprise photocopiers. For the three months and nine months ended September 30, 2020 and 2019, payments of lease commitments for short-term leases amounted to \$1,055, \$3,984, \$3,294 and \$13,388, respectively.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 102,511	\$ 120,892	\$ 109,509
Transportation equipment (Business vehicles)	104	572	728
	<u>\$ 102,615</u>	<u>\$ 121,464</u>	<u>\$ 110,237</u>

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 11,254	\$ 7,461
Transportation equipment (Business vehicles)	156	157
	<u>\$ 11,410</u>	<u>\$ 7,618</u>

	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 32,974	\$ 19,907
Transportation equipment (Business vehicles)	468	469
	<u>\$ 33,442</u>	<u>\$ 20,376</u>

- D. For the nine months ended September 30, 2020 and 2019, the Group increased ‘right-of-use assets’ by \$14,606 and \$32,972, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 575	\$ 537
Expense on short-term lease contracts	1,055	3,984
Expense on leases of low-value assets	132	97
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,724	\$ 1,290
Expense on short-term lease contracts	3,294	13,388
Expense on leases of low-value assets	312	277

F. For the nine months ended September 30, 2020 and 2019, the Group's total cash outflow for leases arising from right-of-use assets were \$37,468 (of which \$32,138 represents principal of lease liabilities) and \$31,969 (of which \$17,014 represents principal of lease liabilities), respectively.

(6) Intangible assets

	Patent				Patented technology		Software	Goodwill	Total	
	OBI-822	OBI-858	OBI-833	OBI-3424						
	Therapeutically metastatic vaccines	Product development project of botulinum	Next-generation cancer vaccine	AKR1C3 enzyme prodrug	Bifunctional fusion protein for age-related muscular degeneration	Bispecific monoclonal antibody	Antibody-drug development platform			
<u>At January 1, 2020</u>										
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 90,693	\$ 81,037	\$ 271,933	\$ 96,644	\$ 12,817	\$ 61,148	\$ 746,207
Accumulated amortisation	(82,426)	(33,572)	(1,038)	(21,162)	(11,646)	(54,386)	(19,328)	(9,016)	-	(232,574)
	<u>\$ 5,151</u>	<u>\$ 9,286</u>	<u>\$ 462</u>	<u>\$ 69,531</u>	<u>\$ 69,391</u>	<u>\$ 217,547</u>	<u>\$ 77,316</u>	<u>\$ 3,801</u>	<u>\$ 61,148</u>	<u>\$ 513,633</u>
<u>2020</u>										
At January 1	\$ 5,151	\$ 9,286	\$ 462	\$ 69,531	\$ 69,391	\$ 217,547	\$ 77,316	\$ 3,801	\$ 61,148	\$ 513,633
Additions	-	-	-	-	-	-	-	1,854	-	1,854
Amortisation	(3,864)	(3,214)	(113)	(6,802)	(4,367)	(20,395)	(7,248)	(1,825)	-	(47,828)
At September 30	<u>\$ 1,287</u>	<u>\$ 6,072</u>	<u>\$ 349</u>	<u>\$ 62,729</u>	<u>\$ 65,024</u>	<u>\$ 197,152</u>	<u>\$ 70,068</u>	<u>\$ 3,830</u>	<u>\$ 61,148</u>	<u>\$ 467,659</u>
<u>At September 30, 2020</u>										
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 90,693	\$ 81,037	\$ 271,933	\$ 96,644	\$ 8,986	\$ 61,148	\$ 742,376
Accumulated amortisation	(86,290)	(36,786)	(1,151)	(27,964)	(16,013)	(74,781)	(26,576)	(5,156)	-	(274,717)
	<u>\$ 1,287</u>	<u>\$ 6,072</u>	<u>\$ 349</u>	<u>\$ 62,729</u>	<u>\$ 65,024</u>	<u>\$ 197,152</u>	<u>\$ 70,068</u>	<u>\$ 3,830</u>	<u>\$ 61,148</u>	<u>\$ 467,659</u>

	Patent				Patented technology						
	OBI-822	OBI-858	OBI-833	OBI-3424							
	Therapeutically metastatic vaccines	Product development project of botulinum	Next-generation cancer vaccine	AKRIC3 enzyme prodrug	ThioBridge linker technology	Bifunctional fusion protein for age-related muscular degeneration	Bispecific monoclonal antibody	Antibody-drug development platform	Software	Goodwill	Total
<u>At January 1, 2019</u>											
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 90,693	\$ 1,945	\$ 81,037	\$ 271,933	\$ 96,644	\$ 9,237	\$ 61,148	\$ 744,572
Accumulated amortisation	(77,275)	(29,287)	(887)	(12,092)	(1,216)	(5,823)	(27,193)	(9,664)	(7,060)	-	(170,497)
	<u>\$ 10,302</u>	<u>\$ 13,571</u>	<u>\$ 613</u>	<u>\$ 78,601</u>	<u>\$ 729</u>	<u>\$ 75,214</u>	<u>\$ 244,740</u>	<u>\$ 86,980</u>	<u>\$ 2,177</u>	<u>\$ 61,148</u>	<u>\$ 574,075</u>
<u>2019</u>											
At January 1	\$ 10,302	\$ 13,571	\$ 613	\$ 78,601	\$ 729	\$ 75,214	\$ 244,740	\$ 86,980	\$ 2,177	\$ 61,148	\$ 574,075
Additions	-	-	-	-	-	-	-	-	2,489	-	2,489
Amortisation	(3,864)	(3,214)	(113)	(6,802)	(729)	(4,367)	(20,395)	(7,248)	(1,362)	-	(48,094)
At September 30	<u>\$ 6,438</u>	<u>\$ 10,357</u>	<u>\$ 500</u>	<u>\$ 71,799</u>	<u>\$ -</u>	<u>\$ 70,847</u>	<u>\$ 224,345</u>	<u>\$ 79,732</u>	<u>\$ 3,304</u>	<u>\$ 61,148</u>	<u>\$ 528,470</u>
<u>At September 30, 2019</u>											
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 90,693	\$ 1,945	\$ 81,037	\$ 271,933	\$ 96,644	\$ 11,726	\$ 61,148	\$ 747,061
Accumulated amortisation	(81,139)	(32,501)	(1,000)	(18,894)	(1,945)	(10,190)	(47,588)	(16,912)	(8,422)	-	(218,591)
	<u>\$ 6,438</u>	<u>\$ 10,357</u>	<u>\$ 500</u>	<u>\$ 71,799</u>	<u>\$ -</u>	<u>\$ 70,847</u>	<u>\$ 224,345</u>	<u>\$ 79,732</u>	<u>\$ 3,304</u>	<u>\$ 61,148</u>	<u>\$ 528,470</u>

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

	Three months ended September 30,	
	2020	2019
Administrative expenses	\$ 318	\$ 337
Research and development expenses	15,575	15,773
	<u>\$ 15,893</u>	<u>\$ 16,110</u>

	Nine months ended September 30,	
	2020	2019
Administrative expenses	\$ 1,125	\$ 966
Research and development expenses	46,703	47,128
	<u>\$ 47,828</u>	<u>\$ 48,094</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. 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) 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 addition, the authorised sale contract mentioned in Note 6(6)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, 2020 and 2019, the Company recognised the aforementioned royalty income of \$554, \$217, \$1,100 and \$567, respectively.

- (d) The Company needs to pay the annual fee and achieved milestones. As of September 30, 2020, the remaining unpaid amount for achieved milestones amounted to US\$10 million. 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, 2020, 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. In 2010, 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 carbohydrates in the Globo series. In the following years, milestone payments will be 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 Patent and acquired special technology, computer software, and goodwill in the amounts of \$449,614, \$105, and \$61,148, respectively.

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

(7) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2020	December 31, 2019	September 30, 2019
Long-term bank						
Secured borrowings	Borrowing period is from October 5, 2016 to October 5, 2026; interest is payable monthly (Note 1)	Note 3	Note 2	\$ 43,750	\$ 49,000	\$ 50,750
Unsecured borrowings	Borrowing period is from October 5, 2016 to October 5, 2021; interest is payable monthly (Note 1)	Note 3	None	2,500	4,000	4,500
				46,250	53,000	55,250
Less: Current portion				(9,000)	(9,711)	(9,747)
				<u>\$ 37,250</u>	<u>\$ 43,289</u>	<u>\$ 45,503</u>

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

Note 2: Please refer to Note 8 for details.

Note 3: It was calculated based on 3-month adjustable rates for consumer loans plus 0.53% annual rate. As of September 30, 2020, December 31, 2019 and September 30, 2019, the interest rate was 1.33%, 1.6% and 1.6%, respectively.

(8) Pension

A. The Company and its domestic subsidiaries 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 subsidiaries 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, 2020 and 2019 were \$2,229, \$2,019, \$6,559 and \$6,067, respectively.

B. OBI Pharma Australia Pty Ltd. and OBI Pharma Limited were not required to set up a policy for employee pension plans. For the pension plan based on local government regulations, OBI Pharma USA, Inc. and OBI Pharma (Shanghai) Limited recognised pension costs of \$1,112, \$927, \$3,667 and \$2,754 for the three months and nine months ended September 30, 2020 and 2019, respectively.

(9) Share-based payment

A. Information on share-based payments made by the Company is as follows:

The options were granted to qualified employees of the Company, the subsidiaries which the Company holds over 50% equity interest, 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	-
"	2010.05.21	100,000	1	"	-
"	2010.09.10	60,000	1	"	-
"	2010.12.15	144,000	1	"	0.21
"	2011.01.01	588,000	1	"	0.25
"	2011.03.30	80,000	1	"	0.50
"	2011.06.10	124,000	1	"	0.69
"	2011.09.30	260,000	1	"	1.00
"	2011.12.16	2,450,000	1	"	1.21
"	2012.01.01	1,560,000	1	"	1.25
"	2012.03.09	270,000	1	"	1.44
"	2013.11.27	1,821,000	1	Two years after grant, employees can exercise options monthly at a certain percentage	3.16
"	2014.02.21	1,744,000	1	"	3.39
"	2014.03.26	575,000	1	"	3.49
"	2015.05.06	2,861,000	1	"	4.60
"	2015.08.04	75,000	1	"	4.84
"	2015.11.06	353,000	1	"	5.10
"	2015.12.15	13,000	1	"	5.21
"	2016.03.25	1,377,000	1	"	5.48
"	2017.03.09	3,145,000	1	"	6.44

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)	2017.05.12	20,000	1	Two years after grant, employees can exercise options monthly at a certain percentage	6.61
"	2017.08.11	20,000	1	"	6.86
"	2017.11.10	130,000	1	"	7.11
"	2018.01.19	1,685,000	1	"	7.30
"	2019.09.06	1,125,000	1	"	8.93
"	2019.11.08	385,000	1	"	9.11
"	2020.08.05	510,000	1	"	9.85
Cash capital increase reserved for employee preemption (Note)	2013.07.26	839,514	1	Vested immediately	-
"	2015.03.16	3,000,000	1	"	-
"	2019.04.22	2,175,700	1	"	-

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

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

The Company's employee stock option plan:

	Nine months ended September 30,			
	2020		2019	
	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	10,634,832	\$ 249.44	10,230,484	\$ 245.60
Options granted	510,000	120.00	1,125,000	144.00
Options exercised	(457,500)	10.00	-	-
Options forfeited or expired	(455,145)	268.82	(913,841)	271.63
Options outstanding at end of the period	<u>10,232,187</u>	252.93	<u>10,441,643</u>	252.40
Options exercisable at end of the period	<u>7,700,926</u>		<u>6,982,704</u>	
Options authorised but not granted at end of the period	<u>-</u>		<u>-</u>	

- C. The weighted-average stock price of stock options at exercise dates for the nine months ended September 30, 2020 was \$105.3 (in dollars). No stock option was exercised for the nine months ended September 30, 2019.
- D. As of September 30, 2020, December 31, 2019 and September 30, 2019, the range of exercise prices of the Company's stock options outstanding 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:

The Company's employee stock option plan:

Type of agreement	Grant date	Underlying market value on measurement date (in dollars)	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	\$ 6.9	\$ 10.0	44.23%	10 years	0%	1.42%	\$ 3.16
"	2010.05.21	6.9	10.0	44.23%	10 years	0%	1.42%	3.16
"	2010.09.10	6.9	10.0	44.23%	10 years	0%	1.42%	3.16
"	2010.12.15	6.9	10.0	44.23%	10 years	0%	1.42%	3.16
"	2011.01.01	9.6	10.0	41.62%	10 years	0%	1.51%	4.98
"	2011.03.30	9.6	10.0	41.62%	10 years	0%	1.51%	4.98
"	2011.06.10	9.6	10.0	41.62%	10 years	0%	1.51%	4.98
"	2011.09.30	7.4	10.0	40.94%	10 years	0%	1.29%	3.21
"	2011.12.16	7.4	10.0	40.94%	10 years	0%	1.29%	3.21
"	2012.01.01	10.1	10.0	40.83%	10 years	0%	1.22%	5.21
"	2012.03.09	10.1	10.0	40.83%	10 years	0%	1.22%	5.21
"	2013.11.27	255.6	247.4	49.72%	6.375 years	0%	1.44%	128.42
"	2014.02.21	231.4	214.4	47.62%	6.375 years	0%	1.34%	114.80
"	2014.03.26	215.0	227.6	46.54%	6.375 years	0%	1.38%	97.07
"	2015.05.06	334.0	334.0	44.46%	6.375 years	0%	1.33%	150.18
"	2015.08.04	283.0	283.0	43.90%	6.375 years	0%	1.21%	125.27
"	2015.11.06	422.0	422.0	44.11%	6.375 years	0%	1.01%	186.00
"	2015.12.15	727.0	727.0	45.44%	6.375 years	0%	0.99%	328.28
"	2016.03.25	420.0	420.0	47.70%	6.375 years	0%	0.72%	195.43
"	2017.03.09	326.0	326.0	50.01%	6.375 years	0%	1.11%	159.90
"	2017.05.12	261.0	261.0	49.51%	6.375 years	0%	0.96%	126.34
"	2017.08.11	191.0	191.0	48.61%	6.375 years	0%	0.82%	90.60
"	2017.11.10	169.0	169.0	48.44%	6.375 years	0%	0.81%	79.91
"	2018.01.19	170.5	170.5	48.61%	6.375 years	0%	0.88%	81.04
"	2019.09.06	144.0	144.0	45.65%	6.375 years	0%	0.62%	64.29
"	2019.11.08	131.0	131.0	45.03%	6.375 years	0%	0.65%	57.88
"	2020.08.05	120.0	120.0	45.37%	6.375 years	0%	0.37%	52.76
Cash capital increase reserved for employee preemption	2013.07.26	171.2	158.0	18.68%	0.125 years	0%	0.87%	14.02
"	2015.03.16	373.5	310.0	23.49%	0.005 years	0%	0.87%	63.51
"	2019.04.22	158.0	135.0	36.55%	0.09 years	0%	0.59%	23.61

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

- F. For the three months and nine months ended September 30, 2020 and 2019, the Group recognised employee stock option plan compensation expense of \$11,371, (\$5,173), \$43,265 and \$117,170, respectively.

(10) Share capital

- A. As of September 30, 2020, 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 \$1,885,862 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:

	<u>2020</u>	<u>2019</u>
At January 1	188,128,674	173,990,674
Exercise of employee stock options	457,500	-
Cash capital increase	-	15,000,000
Retirement of treasury shares	-	(862,000)
At September 30	<u>188,586,174</u>	<u>188,128,674</u>

B. Treasury stock:

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

	<u>Nine months ended September 30, 2019</u>			
	<u>Beginning</u>			<u>Ending shares</u>
<u>Reason for reacquisition</u>	<u>shares</u>	<u>Additions</u>	<u>Disposal</u>	
To transfer shares to the employees	862	-	862	-
	thousand shares		thousand shares	

- (b) Pursuant to the R.O.C. Securities and Exchange Act, 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 Act, 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 Act, 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. The capital deduction took effect on March 8, 2019 as resolved by the Board of Directors. All treasury shares were 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.

(11) 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.

	2020		
	Share premium	Employee stock options	Others
	\$	\$	\$
At January 1	10,127,077	1,159,405	218,505
Employee stock options exercised	1,468	(1,468)	-
Employee stock options compensation cost	-	28,397	13,199
Capital surplus used to offset accumulated deficits	(8,259,036)	-	-
Disgorgement exercise	-	-	11,917
At September 30	<u>\$ 1,869,509</u>	<u>\$ 1,186,334</u>	<u>\$ 243,621</u>
	2019		
	Share premium	Employee stock options	Others
At January 1	\$ 8,284,772	\$ 1,099,675	\$ 145,671
Cash capital increase	1,875,000	-	-
Retirement of treasury shares	(41,046)	-	-
Employee stock options compensation cost	8,351	39,080	65,882
At September 30	<u>\$ 10,127,077</u>	<u>\$ 1,138,755</u>	<u>\$ 211,553</u>

(12) Accumulated deficit

A. 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 capitalised or the cash payment shall not exceed 25% of the paid-in capital.
- D. As resolved by the shareholders on June 22, 2020 and June 27, 2019, the Company's 2019 and 2018 deficit is as follows:

	Year ended December 31, 2019
Accumulated deficit at beginning of the year	(\$ 6,514,955)
Net loss for 2019	(1,407,026)
Retirement of treasury shares credited to accumulated losses	(337,055)
Accumulated losses at the end of the year	(8,259,036)
Capital surplus, additional paid-in capital, used to offset against accumulated deficit	8,259,036
Accumulated deficit at end of the year	\$ -

	Year ended December 31, 2018
Accumulated deficit at beginning of the year	(\$ 5,292,713)
Net loss for 2018	(1,222,242)
Accumulated deficit at end of the year	(\$ 6,514,955)

(13) Operating revenue

	Three months ended September 30,	
	2020	2019
Revenue from contracts with customers	\$ 554	\$ 217

	Nine months ended September 30,	
	2020	2019
Revenue from contracts with customers	\$ 61,020	\$ 567

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:

<u>Three months ended September 30, 2020</u>	<u>Sale of materials</u>	<u>Patent licensing</u>	<u>Service provision</u>	<u>Total</u>
Revenue from external customer contracts				
Contract revenue	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ -</u>	<u>\$ 554</u>
Timing of revenue recognition				
At a point in time	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ -</u>	<u>\$ 554</u>
<u>Three months ended September 30, 2019</u>	<u>Sale of materials</u>	<u>Patent licensing</u>	<u>Service provision</u>	<u>Total</u>
Revenue from external customer contracts				
Contract revenue	<u>\$ -</u>	<u>\$ 217</u>	<u>\$ -</u>	<u>\$ 217</u>
Timing of revenue recognition				
At a point in time	<u>\$ -</u>	<u>\$ 217</u>	<u>\$ -</u>	<u>\$ 217</u>
<u>Nine months ended September 30, 2020</u>	<u>Sale of materials</u>	<u>Patent licensing</u>	<u>Service provision</u>	<u>Total</u>
Revenue from external customer contracts				
Contract revenue	<u>\$ -</u>	<u>\$ 61,020</u>	<u>\$ -</u>	<u>\$ 61,020</u>
Timing of revenue recognition				
At a point in time	<u>\$ -</u>	<u>\$ 61,020</u>	<u>\$ -</u>	<u>\$ 61,020</u>
<u>Nine months ended September 30, 2019</u>	<u>Sale of materials</u>	<u>Patent licensing</u>	<u>Service provision</u>	<u>Total</u>
Revenue from external customer contracts				
Contract revenue	<u>\$ -</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ 567</u>
Timing of revenue recognition				
At a point in time	<u>\$ -</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ 567</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Contract liabilities:		
Contract liabilities - royalty agreements	<u>\$ 77,640</u>	<u>\$ 77,640</u>

	<u>September 30, 2019</u>	<u>January 1, 2019</u>
Contract liabilities:		
Contract liabilities - royalty agreements	\$ <u> </u> -	\$ <u> </u> -

The Group's subsidiary, AP Biosciences, Inc., entered into a co-development and licensing agreement for new antibody drugs with Tasly Biopharmaceuticals Co., Ltd. in July 2019. AP Biosciences, Inc. offered Tasly Biopharmaceuticals Co., Ltd. professional knowledge on three developed antibody products and data on eight targets selected out of the targets in the early stage of research and development for the following co-development to proceed. Tasly Biopharmaceuticals Co., Ltd. is responsible for all the subsequent clinical development when the transfer of professional expertise from AP Biosciences, Inc. is completed. Tasly Biopharmaceuticals Co., Ltd. will obtain the exclusive manufacture and sale rights in China, Hong Kong and Macao after the successful development of the new drugs. In accordance with the agreement, AP Biosciences, Inc. will receive upfront payments, milestone payments and royalties on future sales based on a percentage stipulated in the agreement.

However, AP Biosciences, Inc. entered into a supplemental agreement with Tasly Biopharmaceuticals Co., Ltd. in September 2020 in order to extend the scope of authority on the aforementioned four targets selected in the early stage of research and development which are not only applicable in China, Hong Kong and Macao but also applicable in the world.

As of September 30, 2020, AP Biosciences, Inc. received the upfront payments amounting to USD2,000 thousand and USD2,500 thousand for the three developed antibody products and the development of selected targets in the early stage of research and development, respectively. The payment for the three developed antibody products was recognised as licensing revenue when the professional expertise was transferred in April 2020 as agreed; while the payment for the development of selected targets in the early stage of research and development has yet to be recognised as revenue and, therefore, was shown as contract liabilities.

(14) Interest income

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ <u> 4,782</u>	\$ <u> 21,785</u>
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ <u> 40,285</u>	\$ <u> 69,564</u>

(15) Other gains and losses

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Net currency exchange loss	(\$ 45,950)	(\$ 14,670)
Gains on financial assets at fair value through profit or loss	11,276	-
Miscellaneous disbursements	(2)	-
	<u>(\$ 34,676)</u>	<u>(\$ 14,670)</u>

	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Net currency exchange (loss) gain	(\$ 79,486)	\$ 15,306
Gains on financial assets at fair value through profit or loss	27,828	-
Miscellaneous disbursements	(6)	(18)
	<u>(\$ 51,664)</u>	<u>\$ 15,288</u>

(16) Finance costs

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense	\$ 731	\$ 762

	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense	\$ 2,278	\$ 1,989

(17) Expenses by nature

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Employee benefit expenses	\$ 96,372	\$ 55,813
Clinical material expenses	42,559	56,816
Consulting and service fees	57,516	70,831
Clinical trials cost	99,045	85,329
Rental expenses	1,201	4,094
Depreciation charges	30,209	26,921
Amortisation charges	15,893	16,110
Other expenses	23,313	21,534
Operating expenses	<u>\$ 366,108</u>	<u>\$ 337,448</u>

	Nine months ended September 30,	
	2020	2019
Employee benefit expenses	\$ 265,330	\$ 303,151
Clinical material expenses	162,671	230,729
Consulting and service fees	155,776	139,817
Clinical trials cost	282,723	149,896
Rental expenses	3,649	13,634
Depreciation charges	91,829	74,814
Amortisation charges	47,828	48,094
Other expenses	66,111	51,870
Operating expenses	<u>\$ 1,075,917</u>	<u>\$ 1,012,005</u>

(18) Employee benefit expense

	Three months ended September 30,	
	2020	2019
Wages and salaries (including directors' remuneration)	\$ 75,061	\$ 52,808
Employee stock options	11,371	(5,173)
Labor and health insurance fees	3,343	3,140
Pension costs	3,341	2,946
Other personnel expenses	3,256	2,092
	<u>\$ 96,372</u>	<u>\$ 55,813</u>

	Nine months ended September 30,	
	2020	2019
Wages and salaries (including directors' remuneration)	\$ 190,958	\$ 159,993
Employee stock options	43,265	117,170
Labor and health insurance fees	9,815	9,447
Pension costs	10,226	8,821
Other personnel expenses	11,066	7,720
	<u>\$ 265,330</u>	<u>\$ 303,151</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, 2020, the Company had an accumulated deficit; thus, no employees' compensation and directors' and supervisors' remuneration was recognised for the nine months ended September 30, 2020 and 2019. 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.

(19) Income tax

- A. Components of income tax expense:

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Total current tax	(\$ 1,519)	(\$ 690)
Total deferred tax	2,109	2,109
Income tax benefit	<u>\$ 590</u>	<u>\$ 1,419</u>
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Total current tax	(\$ 3,518)	(\$ 1,968)
Total deferred tax	6,325	6,326
Income tax benefit	<u>\$ 2,807</u>	<u>\$ 4,358</u>

- B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority. The subsidiary's, AP Biosciences, Inc., income tax returns through 2018 have been assessed and approved by the Tax Authority.

(20) Loss per share

	<u>Three months ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted-average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 380,460)	188,449	(\$ 2.02)

Three months ended September 30, 2019			
	<u>Amount after tax</u>	<u>Weighted-average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss</u>			
<u>per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 320,926)	188,129	(\$ 1.71)
Nine months ended September 30, 2020			
	<u>Amount after tax</u>	<u>Weighted-average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss</u>			
<u>per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 1,008,864)	188,255	(\$ 5.36)
Nine months ended September 30, 2019			
	<u>Amount after tax</u>	<u>Weighted-average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss</u>			
<u>per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 896,575)	179,063	(\$ 5.01)

Note: The potential ordinary shares have anti-dilutive effect due to net loss for the nine months ended September 30, 2020 and 2019, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

(21) Supplemental cash flow information

Investing activities with partial cash payments

	Nine months ended September 30,	
	2020	2019
Acquisition of property, plant and equipment	\$ 20,268	\$ 26,282
Add: Opening balance of payable	4,820	1,614
Less: Ending balance of payable	(1,488)	(1,349)
Cash paid during the period	<u>\$ 23,600</u>	<u>\$ 26,547</u>

(22) Changes in liabilities from financing activities

	Lease liabilities	Long-term borrowings	Liabilities from financing activities - gross
At January 1, 2020	\$ 125,281	\$ 53,000	\$ 178,281
Changes in cash flow from financing activities	(32,138)	(6,750)	(38,888)
Impact of changes in foreign exchange rate	(15)	-	(15)
Changes in other non-cash items	14,606	-	14,606
At September 30, 2020	<u>\$ 107,734</u>	<u>\$ 46,250</u>	<u>\$ 153,984</u>

	Lease liabilities	Long-term borrowings	Liabilities from financing activities - gross
At January 1, 2019	\$ 97,641	\$ 62,000	\$ 159,641
Changes in cash flow from financing activities	(17,014)	(6,750)	(23,764)
Impact of changes in foreign exchange rate	1	-	1
Changes in other non-cash items	32,972	-	32,972
At September 30, 2019	<u>\$ 113,600</u>	<u>\$ 55,250</u>	<u>\$ 168,850</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As of September 30, 2020, December 31, 2019 and September 30, 2019, 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 party

(3) Significant related party transactions

A. Research and development expenses

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Other related parties		
-Amaran Biotechnology Inc.	<u>\$ 3,969</u>	<u>\$ 6,630</u>
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Other related parties		
-Amaran Biotechnology Inc.	<u>\$ 14,374</u>	<u>\$ 14,357</u>

The Group signed the drugs purchase agreement for clinical trial of OBI-821, OBI-822 and OBI-866 with Amaran Biotechnology Inc. The contract amount was based on mutual agreement.

B. Other payables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Other related parties			
-Amaran Biotechnology Inc.	<u>\$ -</u>	<u>\$ 6,013</u>	<u>\$ -</u>

It was paid for research and development expenditures.

C. Property transactions

On March 26, 2016, the Group entered into a 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(Saponin adjuvants), OBI-822 (therapeutically metastatic breast cancer vaccines), Globo H and OBI-858 (product development project of botulinum). The initial acquisition cost of \$108,753 less the carrying amount (net of accumulated depreciation) was the purchase amount.

As of September 30, 2020, the Group has paid \$106,233 for production equipment, and all equipment had been transferred.

(4) Key management compensation

	Three months ended September 30,	
	2020	2019
Salaries and other short-term employee benefits	\$ 23,924	\$ 20,359
Share-based payments	6,594	(15,896)
	<u>\$ 30,518</u>	<u>\$ 4,463</u>

	Nine months ended September 30,	
	2020	2019
Salaries and other short-term employee benefits	\$ 65,821	\$ 64,552
Share-based payments	20,887	21,954
	<u>\$ 86,708</u>	<u>\$ 86,506</u>

8. PLEGDED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2020	December 31, 2019	September 30, 2019	
Land	\$ 87,514	\$ 87,514	\$ 87,514	Long-term borrowings (Note)
Buildings and structures	13,795	14,021	14,096	Long-term borrowings (Note)
Other non-current assets (refundable deposits)				Duty paid after customer release, deposits for clinical trial agreement and rental deposit, etc.
	<u>35,721</u>	<u>34,608</u>	<u>35,064</u>	
	<u>\$ 137,030</u>	<u>\$ 136,143</u>	<u>\$ 136,674</u>	

Note: The Group has entered into a 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(7) for details.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except for the promised payments described in Note 6(6) Intangible assets, others are as follows:

(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 customised production line for OBI-858 botulinum toxin under an agreement. The contract price totaled \$36,500 plus some other service charges whenever additional machinery and equipment is acquired. As of September 30, 2020, the payment has been fully made.
- (3) In September 2017, the Company commissioned EirGenix, Inc. to jointly develop CRM197 under an agreement. On December 13, 2018, the Company has amended the agreement with EirGenix, Inc. whereby additional tasks were included to further improve the development process. The contract price totaled \$47,848, of which \$40,421 had been paid as of September 30, 2020.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

To ensure stable quality and ceaseless supply of current clinical trial drugs and those products that will be sold in the market in the future, to prepare for the inspection by the competent authority before selling the products in the market and to improve the Company's ability on the CMC manufacture and development, on September 28, 2020, the Board of Directors of the Company resolved to enter into a contract with Amaran Biotechnology Inc. on October 15, 2020. The Company plans to issue 10,693 thousand shares of common shares in exchange for 53,466 thousand shares of common shares of Amaran Biotechnology Inc. to Amaran Biotechnology Inc.'s shareholders. The tentative effective date for the shares exchange was set on November 30, 2020 if the shares exchange is approved by the competent authority on time.

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 2020, the Group's strategy, which was unchanged from 2019, was to maintain the gearing ratio within reasonable security range. The ratios are as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Total liability	\$ 346,491	\$ 459,145	\$ 271,357
Less: Cash and cash equivalents	(3,481,709)	(4,551,114)	(4,870,099)
Net debt	(\$ 3,135,218)	(\$ 4,091,969)	(\$ 4,598,742)
Total equity	<u>\$ 4,531,464</u>	<u>\$ 5,204,021</u>	<u>\$ 5,695,606</u>

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	\$ 364,024	\$ -	\$ -
Financial assets at fair value through other comprehensive income			
-Designation of equity instrument	12,826	8,318	7,141
Financial assets at amortised cost/loans and receivables			
Cash and cash equivalents	3,481,709	4,551,114	4,870,099
Accounts receivable	1,085	854	569
Other receivables	24,948	38,341	26,886
Other financial assets (refundable deposits)	35,721	34,608	35,064
	<u>\$ 3,920,313</u>	<u>\$ 4,633,235</u>	<u>\$ 4,939,759</u>

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Other payables (including related parties)	\$ 46,639	\$ 129,507	\$ 26,727
Long-term borrowings(including current portion)	46,250	53,000	55,250
	<u>\$ 92,889</u>	<u>\$ 182,507</u>	<u>\$ 81,977</u>
Lease liabilities	<u>\$ 107,734</u>	<u>\$ 125,281</u>	<u>\$ 113,600</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, 2020						
	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	\$ 80,644	29.100	\$ 2,346,740	1%	\$ 23,467	\$ -
RMB:NTD	751	4.269	3,206	1%	32	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD	2,149	29.100	62,524	-	-	-
RMB:USD	2,439	0.147	10,413	-	-	-
AUD:NTD	6,660	20.715	137,953	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,874	29.100	54,533	1%	545	-
December 31, 2019						
	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	\$ 105,274	29.980	\$ 3,156,115	1%	\$ 31,561	\$ -
RMB:NTD	45,676	4.305	196,635	1%	1,966	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD	2,155	29.980	64,594	-	-	-
RMB:USD	3,216	0.144	13,845	-	-	-
AUD:NTD	418	21.038	8,790	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	2,841	29.980	85,173	1%	852	-

September 30, 2019

	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	\$ 81,766	31.040	\$ 2,538,017	1%	\$ 25,380	\$ -
RMB:NTD	45,446	4.350	197,690	1%	1,977	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD	2,162	31.040	67,108	-	-	-
RMB:USD	3,583	0.140	15,586	-	-	-
AUD:NTD	498	20.965	10,450	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	737	31.040	22,876	1%	229	-

- v. The total exchange (loss) gain, 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, 2020 and 2019 amounted to (\$45,950), (\$14,670), (\$79,486) and \$15,306, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. 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.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of 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, post-tax profit for the nine months ended September 30, 2020 would have increased/decreased by \$2,912, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$128 and \$72, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. 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, 2020 and 2019.

- ii. At September 30, 2020 and 2019, 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, 2020 and 2019 would have been \$333 and \$350 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.
- ii. The Group manages its 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 90 days.
- v. The Group classifies customer's accounts receivable, contract assets and rent 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, 2020, December 31, 2019 and September 30, 2019, the expected loss rate of the Group's accounts receivable that are not past due is immaterial.

(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 deposits, time deposits, and foreign currency deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- 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, 2020				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Other payables (including related parties)	\$ 46,639	\$ -	\$ -	\$ -	\$ -
Long-term borrowings (including current portion)	9,550	7,939	7,345	14,411	8,818
Lease liabilities (including current portion)	40,451	17,874	17,653	31,756	-

	December 31, 2019				
	Less than	Between 1	Between 2	Between 3	Over
	1 year	and 2 years	and 3 years	and 5 years	5 years
Non-derivative financial liabilities:					
Other payables (including related parties)	\$ 129,507	\$ -	\$ -	\$ -	\$ -
Long-term borrowings (including current portion)	9,770	9,626	7,499	14,663	14,214
Lease liabilities (including current portion)	39,288	29,714	12,875	31,377	12,027

	September 30, 2019				
	Less than	Between 1	Between 2	Between 3	Over
	1 year	and 2 years	and 3 years	and 5 years	5 years
Non-derivative financial liabilities:					
Other payables (including related parties)	\$ 26,727	\$ -	\$ -	\$ -	\$ -
Long-term borrowings (including current portion)	9,806	9,662	8,028	14,719	16,023
Lease liabilities (including current portion)	28,971	25,366	12,006	31,252	16,005

- 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 financial assets at fair value through other comprehensive income 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 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 on 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:

	<u>September 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 107,640	\$ -	\$ -	\$ 107,640
Open-end fund	256,384	-	-	256,384
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	12,826	12,826
	<u>\$ 364,024</u>	<u>\$ -</u>	<u>\$ 12,826</u>	<u>\$ 376,850</u>
	<u>December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 8,318	\$ 8,318
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,318</u>	<u>\$ 8,318</u>
	<u>September 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 7,141	\$ 7,141
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,141</u>	<u>\$ 7,141</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed stocks</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

E. Financial segment is in charge of valuation procedures for fair value measurements being categorised 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.

F. The following is the qualitative information on 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, 2020</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>\$ 12,826</u>	Market comparable companies	Price to book ratio multiple	1.59~11.28 (2.70)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	29.60%~ 66.54% (42%)	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 8,318	Market comparable companies	Price to book ratio multiple	1.09~3.26 (1.75)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	8.44%~47.77% (21%)	The higher the discount for lack of marketability, the lower the fair value
	Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 7,141	Market comparable companies	Price to book ratio multiple	1.13~3.54 (1.54)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	11%~48% (22%)	The higher the discount for lack of marketability, the lower the fair value

G. 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 on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

				September 30, 2020			
				Recognised in profit or loss		Recognised in other comprehensive income	
				Favourable	Unfavourable	Favourable	Unfavourable
		Input	Change	change	change	change	change
Financial assets							
Equity instrument	Price to book ratio multiple	±10%		\$ -	\$ -	\$ 1,282	(\$ 1,282)
	Discount for lack of marketability	±10%		\$ -	\$ -	\$ 914	(\$ 914)
				December 31, 2019			
				Recognised in profit or loss		Recognised in other comprehensive income	
				Favourable	Unfavourable	Favourable	Unfavourable
		Input	Change	change	change	change	change
Financial assets							
Equity instrument	Price to book ratio multiple	±10%		\$ -	\$ -	\$ 890	(\$ 890)
	Discount for lack of marketability	±10%		\$ -	\$ -	\$ 223	(\$ 223)
				September 30, 2019			
				Recognised in profit or loss		Recognised in other comprehensive income	
				Favourable	Unfavourable	Favourable	Unfavourable
		Input	Change	change	change	change	change
Financial assets							
Equity instrument	Price to book ratio multiple	±10%		\$ -	\$ -	\$ 680	(\$ 680)
	Discount for lack of marketability	±10%		\$ -	\$ -	\$ 202	(\$ 202)

H. The following chart is the movement of Level 3 for the nine months ended September 30, 2020 and 2019:

	Equity securities	
	Nine months ended September 30,	
	2020	2019
Opening net book amount	\$ 8,318	\$ 7,454
Profit (loss) recognised in other comprehensive income	4,508	(313)
Closing net book amount	<u>\$ 12,826</u>	<u>\$ 7,141</u>

I. As of September 30, 2020, December 31, 2019 and September 30, 2019, there was no transfer into or out from Level 3.

(4) Impact of COVID-19

Based on the Group's assessment, the COVID-19 pandemic has no significant impact on the Group.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- 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 2.
- 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 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.

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

(4) Major shareholders information

Please refer to table 6.

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 on the consolidated statements of comprehensive income are the same.

OBI Pharma, Inc. and Subsidiaries
Loans to others
Nine months ended September 30, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	Is a related party	General ledger account	Maximum outstanding balance during the nine months ended September 30, 2020	Balance at September 30, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote	
												Allowance for doubtful accounts	Item Value				
0	OBI Pharma, Inc.	OBI Pharma (Shanghai) Limited	Y	Other receivables-related party	\$ 18,042	\$ 18,042	\$ 1,470	1.6%	2	\$ -	Working capital	\$ -	-	\$ -	\$ 415,830	\$ 1,663,318	

Note 1: In accordance with the Company's "Procedures for Provision of Loans", limit on total loans to others is 40% of the Company's net assets and limit on loans granted to a single party is 10% of the Company's net assets.

Note 2: The nature of the loan is as follows:

- (1) Business transaction: 1
- (2) Short-term financing: 2

OBI Pharma, Inc. and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
September 30, 2020

Table 2

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, 2020				
				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	867,018	\$ 12,826	3.27%	\$ 12,826	None
"	Stock - Silergy Corp.	"	Financial assets at fair value through profit or loss - current	5,000	8,525	0.01%	8,525	"
"	Stock - Wiwynn Corporation	"	"	3,000	1,959	0.00%	1,959	"
"	Stock - Fulgent Sun Int (Holding) Co., Ltd.	"	"	41,716	4,526	0.02%	4,526	"
"	Stock - Taiwan Semiconductor Manufacturing Company Limited	"	"	19,000	8,227	0.00%	8,227	"
"	Stock - Apex International Co., Ltd.	"	"	73,000	5,271	0.04%	5,271	"
"	Stock - International Games System Co., Ltd.	"	"	1,000	771	0.00%	771	"
"	Stock - Zhen Ding Technology Holding Limited	"	"	22,000	2,772	0.00%	2,772	"
"	Stock - Nan Ya Printed Circuit Board Corporation	"	"	64,000	7,552	0.01%	7,552	"
"	Stock - Johnson Health Tech. Co., Ltd.	"	"	58,000	3,857	0.02%	3,857	"
"	Stock - POYA International Co., Ltd.	"	"	11,000	6,083	0.01%	6,083	"
"	Stock - Shin Zu Shing Co., Ltd.	"	"	34,361	4,793	0.02%	4,793	"
"	Stock - Tong Hsing Electronic Industries, Ltd.	"	"	48,000	6,384	0.02%	6,384	"
"	Stock - TXC Corporation	"	"	158,000	11,408	0.05%	11,408	"
"	Stock - Taiwan Paiho Limited	"	"	130,000	8,788	0.04%	8,788	"
"	Stock - TCI Co., Ltd	"	"	7,000	1,883	0.01%	1,883	"
"	Stock - Tung Thih Electronic Co. Ltd.	"	"	62,000	5,710	0.07%	5,710	"
"	Stock - Quanta Storage Inc.	"	"	117,000	4,329	0.04%	4,329	"
"	Stock - LOTES Co., Ltd.	"	"	2,000	922	0.00%	922	"
"	Stock - Wistron NeWeb Corporation	"	"	35,000	2,674	0.01%	2,674	"
"	Stock - Macauto Industrial Co., Ltd.	"	"	73,000	5,446	0.10%	5,446	"
"	Stock - Century Iron and Steel Industrial Co. Ltd.	"	"	45,000	5,760	0.02%	5,760	"
"	Beneficiary certificate - Fuh Hwa Global Short-term Income Fund	"	"	6,889,916	82,330	-	82,330	"
"	Beneficiary certificate - Fuh Hwa Global Bond Fund	"	"	1,970,443	29,663	-	29,663	"
"	Beneficiary certificate - Fuh Hwa Emerging Market Short-term Income Fund	"	"	12,588,612	144,391	-	144,391	"

OBI Pharma, Inc. and Subsidiaries
 Significant inter-company transactions during the reporting period
 Nine months ended September 30, 2020

Table 3

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	\$ 49,819	(Note 4)	1.02%
1	"	"	"	Service revenue	115,163	"	188.73%

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, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine months ended September 30, 2020	Investment income (loss) recognised by the Company for the nine months ended September 30, 2020	Footnote
				Balance as at September 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
OBI Pharma, Inc.	OBI Pharma Limited	Hong Kong	Investments and trading	\$ 62,565	\$ 48,015	2,150,000	100.00	\$ 11,542	(\$ 17,025)	(\$ 17,025)	Note 2
"	OBI Pharma USA, Inc.	USA	Research and development of biotechnology	78,570	78,570	2,701,000	100.00	50,982	(8,055)	(8,055)	"
"	AP Biosciences, Inc.	Taiwan	Research and development of biotechnology	640,035	350,075	8,040,000	67.00	242,185	(10,082)	(23,707)	Notes 2 and 3
"	OBI Pharma Australia Pty Ltd.	Australia	Research and development of biotechnology	220,615	13,467	10,650,000	100.00	137,953	(75,932)	(75,932)	Note 2

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 subsidiary, AP Biosciences, Inc., planned to increase its capital by issuing 10,566 thousand new shares and set the effective date on November 2, 2020. However, as the Company did not acquire shares proportionally to its interest and the capital increase is yet to be completed, the shareholding ratio remained unchanged.

OBI Pharma, Inc. and Subsidiaries
Information on investments in Mainland China
Nine months ended September 30, 2020

Table 5

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Net income of investee for the nine months ended September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2020	Book value of investments in Mainland China as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
OBI Pharma (Shanghai) Limited	Research and development of biotechnology	\$ 58,200	Note 1	\$ 43,650	14,550	-	\$ 58,200	(\$ 16,993)	100.00	(\$ 16,993)	\$ 10,413	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020 (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.	\$ 58,200	\$ 58,200		\$ 2,494,978									

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

Note 2: The total investment amount of USD 2 million was approved pursuant to the Jing-Shen-II-Zi Letter No.10200125600, No. 10600182730, No. 10800182030, and No. 10900147100.

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.

OBI Pharma, Inc. and Subsidiaries

Major shareholders information

September 30, 2020

Table 6

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Yi Tai Investment Co., Ltd.	25,765,032	13.66%
Huei Hong Investment Co., Ltd.	15,545,699	8.24%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in calculation basis.

Note 2: If the aforementioned data contains shares which were held in the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with the Securities and Exchange Act, the shareholding ratio include the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

Note 3: Basis for preparation of the major shareholders information is calculating balance distribution of each credit transaction under the securities holder list (no sell back of short bonds) which stock transfer was closed at the shareholders' interim meeting.

Note 4: Ownership (%) = Total number of shares held / Total number of shares in dematerialised form.

Note 5: Total number of shares in dematerialised form (including treasury shares) amounted to 188,586,174 shares = 188,586,174 (common shares) + 0 (preference shares).