OBI PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2021 AND 2020

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.

pwc 資誠

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of OBI PHARMA, INC. and its subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
110208臺北市信義區基隆路一段 333 號 27 樓
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 110208, Taiwan
T: +886 (2) 2729 6666, F:+ 886 (2) 2729 6686, www.pwc.tw

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Key audit matter – Impairment assessment of intangible assets

Description

Refer to Note 4(17) for accounting policies on impairment assessment of non-financial assets, Note 5 for critical judgements adopted in accounting policies on impairment assessment of intangible assets, and Note 6(7) for account details of intangible assets.

As of December 31, 2021, the balance of the Group's intangible assets amounted to NT$398,284 thousand. The intangible assets consist of related technologies acquired from other companies for new drug development as well as patents, patented technologies and goodwill arising from equity investments in AP Biosciences, Inc. Since the drug is still under development, no cash inflow can be generated. As of the balance sheet date, the Group determines whether the patents and patented technologies are impaired based on external and internal information. The Group would then consider to recognise an impairment loss by comparing the recoverable amount if there is an indication that they are impaired. The goodwill of AP Biosciences, Inc. was tested for impairment based on the goodwill impairment test report obtained from an external appraiser firm. Since the impairment assessment performed by the management involves management's subjective judgment and the key assumptions used in the impairment assessment have a significant impact on the value-in-use estimates, we considered the impairment assessment of intangible assets a key audit matter.

How our audit addressed the matter

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

1. Reviewed the information used by the Group management for impairment assessment of intangible assets (excluding goodwill) including plan and progress for each development project, etc., conducted discussion with management and director of research and development department regarding the information used for impairment assessment of intangible assets, and assessed whether:

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

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

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

2. Performed the following procedures based on the obtained valuation report on goodwill impairment on the investments accounted for under equity method prepared by external experts:

   (1) Assessed whether the valuation methods adopted are reasonable for the industry, environment and the valued assets of the Group;

   (2) Evaluated the reasonableness of main assumptions used in estimating the value-in-use, including R&D timeline, R&D success rate, market share of products after the receipt of drug permit license and royalty rate.

   (3) Examined model parameters and calculations.

   (4) Compared the discount rate used and assumptions on the capital cost of cash-generating units.

   (5) Verified whether the value-in-use exceeds the book value of equity in AP Biosciences, Inc.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of OBI PHARMA, INC. as at and for the years ended December 31, 2021 and 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

pwc 資誠

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

pwc 資誠

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

David Teng　　　　　　　　　　Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2022

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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,512,186	56	$ 3,338,302	63
1110	Financial assets at fair value through profit or loss - current	6(2)	1,767	-	383,531	7
1136	Financial assets at amortised cost - current	6(4)	140,000	3	-	-
1170	Accounts receivable, net		3,465	-	1,451	-
1200	Other receivables		19,804	1	17,567	-
130X	Inventories		9,562	-	7,358	-
1410	Prepayments		167,353	4	146,603	3
11XX	**Total current assets**		2,854,137	64	3,894,812	73
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	9,106	-	8,037	-
1600	Property, plant and equipment, net	6(5), 7 and 8	898,878	20	731,193	14
1755	Right-of-use assets	6(6)	250,141	5	187,027	3
1780	Intangible assets, net	6(7)	398,284	9	453,881	9
1900	Other non-current assets	8	76,205	2	64,900	1
15XX	**Total non-current assets**		1,632,614	36	1,445,038	27
1XXX	**Total assets**		$ 4,486,751	100	$ 5,339,850	100

(Continued)

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current liabilities					
2100	Current borrowings	6(8)	$ -	-	$ 9,468	-
2170	Accounts payable		525	-	157	-
2200	Other payables	6(10)	264,790	6	189,775	3
2220	Other payables to related parties		70	-	-	-
2230	Current income tax liabilities		336	-	1,112	-
2280	Current lease liabilities	7	52,070	1	37,078	1
2320	Long-term liabilities, current portion	6(9)	7,000	-	9,000	-
2399	Other current liabilities		2,433	-	1,898	-
21XX	**Total current liabilities**		327,224	7	248,488	4
	Non-current liabilities					
2540	Long-term borrowings	6(9)	28,000	1	35,000	1
2570	Deferred income tax liabilities		54,762	1	63,196	1
2580	Non-current lease liabilities	7	205,962	5	155,407	3
25XX	**Total non-current liabilities**		288,724	7	253,603	5
2XXX	**Total liabilities**		615,948	14	502,091	9
	Equity attributable to owners of parent					
	Share capital	6(13)				
3110	Common stock		1,992,794	44	1,992,794	37
	Capital surplus	6(12)(14)(24)				
3200	Capital surplus		3,702,222	82	3,684,782	69
	Accumulated deficit	6(15)				
3350	Accumulated deficit		(2,908,622)	(65)	(1,377,935)	(26)
3400	Other equity interest	6(3)	(24,528)	-	(16,788)	-
3500	Treasury shares	6(13)(24)	(45,990)	(1)	(53,831)	(1)
31XX	**Equity attributable to owners of the parent**		2,715,876	60	4,229,022	79
36XX	Non-controlling interest	4(3) and 6(24)	1,154,927	26	608,737	12
3XXX	**Total equity**		3,870,803	86	4,837,759	91
	Significant Contingent Liabilities and Unrecognised Contract Commitments	6(7), 7 and 9				
	Significant Events after the Balance Sheet Date	11				
3X2X	**Total liabilities and equity**		$ 4,486,751	100	$ 5,339,850	100

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

			Year ended December 31			
			2021		2020	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16)	$ 18,772	1	$ 140,886	9
5000	Operating costs		(44,362)	(2)	(6,469)	-
5900	Gross (loss) profit		(25,590)	(1)	134,417	9
	Operating expenses	6(5)(6)(7)(11)(12)(20)(21) and 7				
6200	Administrative expenses		(240,826)	(14)	(290,417)	(19)
6300	Research and development expenses		(1,449,598)	(83)	(1,309,881)	(88)
6000	Total operating expenses		(1,690,424)	(97)	(1,600,298)	(107)
6900	Operating loss		(1,716,014)	(98)	(1,465,881)	(98)
	Non-operating income and expenses					
7100	Interest income	6(17)	6,458	-	43,418	3
7010	Other income		8,846	-	8,348	-
7020	Other gains and losses	6(18)	(37,745)	(2)	(75,392)	(5)
7050	Finance costs	6(19) and 7	(3,798)	-	(4,184)	-
7000	Total non-operating income and expenses		(26,239)	(2)	(27,810)	(2)
7900	**Loss before tax**		(1,742,253)	(100)	(1,493,691)	(100)
7950	Income tax benefit	6(22)	24,363	1	3,794	-
8200	**Loss for the year**		($ 1,717,890)	(99)	($ 1,489,897)	(100)
	Other comprehensive (loss) income for the year, net					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8316	Unrealised valuation gains and losses from equity investment instruments measured at fair value through other comprehensive income	6(3)	$ 1,069	-	($ 281)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(8,809)	-	5,885	1
8300	**Other comprehensive (loss) income for the year, net**		($ 7,740)	-	$ 5,604	1
8500	**Total comprehensive loss for the year**		($ 1,725,630)	(99)	($ 1,484,293)	(99)
	Loss attributable to:					
8610	Owners of the parent		($ 1,530,687)	(88)	($ 1,377,935)	(92)
8615	Former owner of business combination under common control		-	-	(79,605)	(6)
8620	Non-controlling interest		(187,203)	(11)	(32,357)	(2)
	Total		($ 1,717,890)	(99)	($ 1,489,897)	(100)
	Comprehensive loss attributable to:					
8710	Owners of the parent		($ 1,538,427)	(88)	($ 1,372,331)	(92)
8715	Former owner of business combination under common control		-	-	(79,605)	(5)
8720	Non-controlling interest		(187,203)	(11)	(32,357)	(2)
	Total		($ 1,725,630)	(99)	($ 1,484,293)	(99)
	Loss per share (in dollars)	6(23)				
9750	Basic and diluted loss per share		($ 7.69)		($ 7.34)	

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
			Capital Reserves				Other Equity Interest						
	Notes	Share capital - common stock	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	Equity attributable to former owner of business combination under common control	Non-controlling interest	Total equity
Year ended December 31, 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	$ 452,434	$ 364,976	$ 5,922,256
Net loss for the year		-	-	-	-	(1,377,935)	-	-	-	(1,377,935)	(79,605)	(32,357)	(1,489,897)
Other comprehensive income (loss) for the year		-	-	-	-	-	5,885	(281)	-	5,604	-	-	5,604
Total comprehensive income (loss) for the year		-	-	-	-	(1,377,935)	5,885	(281)	-	(1,372,331)	(79,605)	(32,357)	(1,484,293)
Effect of reorganisation	6(14)(24)(25)	106,932	336,764	-	-	-	-	-	-	443,696	(372,829)	22,588	93,455
Capital surplus used to offset accumulated deficit	6(14)(15)	-	(8,259,036)	-	-	8,259,036	-	-	-	-	-	-	-
Share-based payment transactions	6(12)(14)(21)(24)	4,575	1,468	37,023	17,517	-	-	-	-	60,583	-	20,813	81,396
Changes in non-controlling interest - effect of subsidiary's issuance of common stock for cash		-	-	-	31,922	-	-	-	-	31,922	-	(31,922)	-
Disgorgement exercised	6(14)	-	-	-	14,137	-	-	-	-	14,137	-	-	14,137
Shares of the parent company held by subsidiaries treated as treasury shares		-	-	-	-	-	-	-	(53,831)	(53,831)	-	(26,511)	(80,342)
Subsidiary's capital increase and issuance of new shares		-	-	-	-	-	-	-	-	-	-	291,150	291,150
Balance at December 31, 2020		$ 1,992,794	$ 2,206,273	$ 1,196,428	$ 282,081	($ 1,377,935)	$ 2,356	($ 19,144)	($ 53,831)	$ 4,229,022	$ -	$ 608,737	$ 4,837,759
Year ended December 31, 2021													
Balance at January 1, 2021		$ 1,992,794	$ 2,206,273	$ 1,196,428	$ 282,081	($ 1,377,935)	$ 2,356	($ 19,144)	($ 53,831)	$ 4,229,022	$ -	$ 608,737	$ 4,837,759
Net loss for the year		-	-	-	-	(1,530,687)	-	-	-	(1,530,687)	-	(187,203)	(1,717,890)
Other comprehensive income (loss) for the year		-	-	-	-	-	(8,809)	1,069	-	(7,740)	-	-	(7,740)
Total comprehensive income (loss) for the year		-	-	-	-	(1,530,687)	(8,809)	1,069	-	(1,538,427)	-	(187,203)	(1,725,630)
Increase in non-controlling interests	6(24)	-	-	-	-	-	-	-	-	-	-	473,370	473,370
Share-based payment transactions	6(12)(14)(21)	-	-	33,993	16,077	-	-	-	-	50,070	-	934	51,004
Share-based payment transactions of subsidiaries	6(12)(14)(21)(24)	-	-	-	543	-	-	-	-	543	-	2,995	3,538
Expiration of share options	6(12)(14)	-	-	(137,527)	137,527	-	-	-	-	-	-	-	-
Expiration of share options issued by a subsidiary	6(12)(14)	-	-	-	1,253	-	-	-	-	1,253	-	(1,253)	-
Changes in non-controlling interest - effect of subsidiary's issuance of common stock for cash	6(24)	-	-	-	(35,272)	-	-	-	(2,403)	(37,675)	-	37,675	-
Disposal of the company's share by subsidiaries recognised as treasury share transactions		-	-	-	846	-	-	-	10,244	11,090	-	5,902	16,992
Subsidiary's capital increase and issuance of new shares	6(24)	-	-	-	-	-	-	-	-	-	-	213,770	213,770
Balance at December 31, 2021		$ 1,992,794	$ 2,206,273	$ 1,092,894	$ 403,055	($ 2,908,622)	($ 6,453)	($ 18,075)	($ 45,990)	$ 2,715,876	$ -	$ 1,154,927	$ 3,870,803

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 1,742,253)	($ 1,493,691)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)	156,820	166,964
Amortisation	6(7)	59,455	64,875
Interest expense	6(19)	3,798	4,184
Interest income	6(17)	(6,458)	(43,418)
Dividend income		(80)	(2,096)
Gains on financial assets at fair value through profit or loss	6(2)	(373)	(53,996)
Loss on disposal of property, plant and equipment	6(18)	15,081	-
Compensation cost for share-based payment transactions	6(12)	54,017	76,821
Prepaid equipment transferred to expense		-	229
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss	6(2)	382,137	(328,141)
Accounts receivable, net		(2,014)	71
Inventories		(2,204)	(3,158)
Other receivables		(3,144)	(1,000)
Prepayments		(20,750)	(27,178)
Changes in operating liabilities			
Notes payable		-	(193)
Accounts payable		368	(20)
Contract liabilities		-	(77,640)
Other payables		21,716	49,127
Other payables to related parties		70	-
Other current liabilities		535	(10)
Cash outflow generated from operations		(1,083,279)	(1,668,270)
Interest received		7,365	65,302
Dividends received		80	2,096
Interest paid		(3,798)	(4,184)
Income tax received (paid)		15,153	(4,385)
Net cash flows used in operating activities		(1,064,479)	(1,609,441)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost	6(4)	(140,000)	-
Acquisition of property, plant and equipment	6(26)	(219,891)	(167,160)
Acquisition of intangible assets	6(7)	(3,858)	(2,964)
Increase in prepayments for business facilities		(21,434)	(15,521)
Increase in refundable deposits		(4,790)	(10,258)
Cash acquired from acquisition of subsidiaries		472,651	-
Net cash flows from (used in) investing activities		82,678	(195,903)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of employee stock options	6(12)	-	4,575
Proceeds from exercise of employee stock options by subsidiaries	6(12)(24)	525	-
Repayment of lease principal	6(6)(27)	(49,071)	(45,598)
(Decrease) increase in short-term borrowings	6(8)(27)	(9,468)	9,468
Repayment of long-term debt	6(9)(27)	(9,000)	(9,000)
Increase in capital and issuance of new shares by the subsidiary		213,770	291,150
Disposal of the shares of parent company held by the subsidiary	6(24)	16,992	18,360
Disgorgement exercised	6(14)	-	14,137
Net cash flows from financing activities		163,748	283,092
Effect due to changes in exchange rate		(8,063)	539
Net decrease in cash and cash equivalents		(826,116)	(1,521,713)
Cash and cash equivalents at beginning of year		3,338,302	4,860,015
Cash and cash equivalents at end of year		$ 2,512,186	$ 3,338,302

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

OBI PHARMA, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

OBI PHARMA, INC. (the "Company") was established on April 29, 2002 upon approval by the Ministry of Economic Affairs. The Company conducted the initial public offering in May 2012, and traded its shares on the Emerging Stock Market of the Taipei Exchange (formerly GreTai Securities Market) since March 23, 2015. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in new drugs research.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 18, 2022.

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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, "Extension of the temporary exemption from applying IFRS 9"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform— Phase 2"	January 1, 2021
Amendment to IFRS 16, "Covid-19-related rent concessions beyond 30 June 30, 2021"	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 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 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, “Reference to the conceptual framework”	January 1, 2022
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

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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 IFRS 17, “Initial application of IFRS 17 and IFRS 9 - comparative information”	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or non-current”	January 1, 2023
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023

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, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the 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 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.

(d) Shares of the Company held by subsidiaries are treated as treasury shares.

B. Subsidiaries included in the consolidated financial statements and movements for the year are as follows:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2021	December 31, 2020	Description
The Company	OBI Pharma Limited	Investing and trading	100.00	100.00	
The Company	OBI Pharma USA, Inc.	Biotechnology development	100.00	100.00	
The Company	AP Biosciences, Inc.	Biotechnology development	54.62	58.99	Note 1
The Company	OBI Pharma Australia Pty Ltd.	Biotechnology development	100.00	100.00	
The Company	Amaran Biotechnology Inc.	Manufacture and wholesale of western pharmaceuticals as well as research and development of biotechnology	70.70	67.00	Notes 2 and 4
The Company	Obigen Pharma, Inc.	Biotechnology development	62.17	-	Note 3
OBI Pharma Limited	OBI Pharma (Shanghai) Limited	Biotechnology development	100.00	100.00	

Note 1: AP Biosciences, Inc. changed its Chinese name as approved at the shareholders' meeting on October 28, 2021, but the English name remained the same. The subsidiary, AP Biosciences, Inc., increased its capital by issuing 10,566 thousand and 1,808 thousand new shares as resolved by the Board of Directors during its meeting on October 23, 2020 and January 22, 2021, respectively. However, as the Company did not acquire shares proportionally to its interest, the Company's shareholding ratio decreased to 58.99% and 54.62% as of December 31, 2020 and December 31, 2021, respectively.

Note 2: On December 31, 2020, the Company increased its capital by issuing new shares to acquire 67% equity interest in Amaran Biotechnology Inc.

Note 3: On February 23, 2021, the Company entered into an intellectual property rights licensing agreement of global aesthetic medicine for OBI-858, Novel Botulinum Toxin, with Obigen Pharma, Inc. The future clinical research and development of indication for OBI-858 aesthetic medicine will be proceeded by Obigen Pharma, Inc. Obigen Pharma, Inc. increased its capital by issuing 47,250 thousand new shares as a consideration to the Company. As a result, Obigen Pharma, Inc. became a subsidiary controlled by the Company with 62.17% equity interest.

Note 4: On March 4, 2021, the Board of Directors of Amaran Biotechnology Inc. resolved to issue 12,000 thousand new shares. The Company subscribed to the capital increase in the amount of $286,231, thereby increasing its shareholding ratio to 70.72%. On December 21, 2021, the Board of Directors of Amaran Biotechnology Inc. approved the subscription of stock options by employees for a total number of 25 thousand shares. As a result, the Company's shareholding ratio decreased to 70.70%.

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 December 31, 2021 and 2020, the non-controlling interest amounted to $1,154,927 and $608,737, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest				
		December 31, 2021		December 31, 2020		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)	Description
AP Biosciences, Inc.	Taiwan	$ 353,416	45.38%	$ 367,284	41.01%	
Amaran Biotechnology, Inc.	Taiwan	278,451	29.30%	241,453	33.00%	Note
Obigen Pharma, Inc.	Taiwan	523,060	37.83%	-	-	

Note: Shares of the Company held by subsidiaries are treated as treasury shares. Thus, the non-controlling interest as of December 31, 2021 and 2020 decreased by $19,062 and $26,511, respectively.

Summarised financial information of the subsidiaries:

Balance sheet

	AP Biosciences, Inc.	
	December 31, 2021	December 31, 2020
Current assets	$ 563,945	$ 632,254
Non-current assets	289,211	335,750
Current liabilities	(21,149)	(9,162)
Non-current liabilities	(54,762)	(63,196)
Total net assets	$ 777,245	$ 895,646

	Amaran Biotechnology Inc.	
	December 31, 2021	December 31, 2020
Current assets	$ 260,693	$ 133,925
Non-current assets	744,577	625,395
Current liabilities	(82,062)	(34,940)
Non-current liabilities	(90,465)	(93,060)
Total net assets	$ 832,743	$ 631,320

	Obigen Pharma, Inc.
	December 31, 2021
Current assets	$ 459,589
Non-current assets	994,201
Current liabilities	(12,804)
Non-current liabilities	(56,416)
Total net assets	$ 1,384,570

Statement of comprehensive income

	AP Biosciences, Inc.	
	Years ended December 31,	
	2021	2020
Revenue	$ 6,993	$ 137,560
Loss before tax	(229,775)	(424)
Income tax benefit	8,434	8,434
(Loss) profit for the year	(221,341)	8,010
Other comprehensive loss	-	-
Total comprehensive (loss) income for the year	($ 221,341)	$ 8,010
Comprehensive (loss) income attributable to non-controlling interest	($ 99,842)	$ 6,851

	Amaran Biotechnology Inc.	
	Years ended December 31,	
	2021	2020
Revenue	$ 34,813	$ 1,837
Loss before tax	(127,385)	(118,813)
Income tax benefit	-	-
Loss for the year	(127,385)	(118,813)
Other comprehensive loss	-	-
Total comprehensive loss for the year	($ 127,385)	($ 118,813)
Comprehensive loss attributable to non-controlling interest	($ 36,397)	($ 39,208)

	Obigen Pharma, Inc.
	Period from February 23, 2021 to December 31, 2021
Revenue	$ -
Loss before tax	(134,715)
Income tax benefit	-
Loss for the year	(134,715)
Other comprehensive loss	-
Total comprehensive loss for the year	($ 134,715)
Comprehensive loss attributable to non-controlling interest	($ 50,964)

Statements of cash flows

	AP Biosciences, Inc.	
	Years ended December 31,	
	2021	2020
Net cash used in operating activities	($ 168,684)	($ 17,045)
Net cash used in investing activities	(34,919)	(7,304)
Net cash provided by financing activities	100,000	581,110
Net (decrease) increase in cash and cash equivalents	(103,603)	556,761
Cash and cash equivalents at beginning of year	630,724	73,963
Cash and cash equivalents at end of year	$ 527,121	$ 630,724

	Amaran Biotechnology Inc.	
	Years ended December 31,	
	2021	2020
Net cash used in operating activities	($ 60,989)	($ 60,905)
Net cash used in investing activities	(210,873)	(142,546)
Net cash provided by financing activities	288,501	9,468
Net increase (decrease) in cash and cash equivalents	16,639	(193,983)
Cash and cash equivalents at beginning of year	114,918	308,901
Cash and cash equivalents at end of year	$ 131,557	$ 114,918

	Obigen Pharma, Inc.
	Period from February 23, 2021 to December 31, 2021
Net cash used in operating activities	($ 96,568)
Net cash used in investing activities	(65,441)
Net cash provided by financing activities	252,056
Net increase in cash and cash equivalents	90,047
Cash and cash equivalents at beginning of year	317,550
Cash and cash equivalents at end of year	$ 407,597

(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) <u>Classification of current and non-current items</u>

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) <u>Cash equivalents</u>

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 amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group’s business model is achieved by collecting contractual cash flows.

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group’s time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

Accounts receivable are loans that are created by the entity by selling goods or providing services to customers and are initially recognised at fair value. Accounts receivable are subsequently measured at amortised cost using the effective interest method, less impairment loss. Interest amortised using the effective interest method is recognised in profit or loss. However, short-term accounts receivable without bearing interest are measured at transaction amount as the effect of discounting is immaterial.

(10) 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.

(11) 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.

(12) Derecognition of financial assets

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

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) 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	10~50 years
Machinery and equipment	3~20 years
Lab equipment	3~5 years
Office equipment	3~5 years
Leasehold improvements	1~5 years

(15) 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:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) 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.

(16) Intangible assets

A. Trademark right

Trademark right is stated at cost and are amortised on a straight-line basis over the estimated useful life of 10 years.

B. Patent and acquired special technology:

(a) Patents acquired in intellectual property right as equity are recognised at fair value at the acquisition date, and amortised on a straight-line basis over 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 10 to 14 years, and it is amortised on a straight-line basis.

C. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

D. Goodwill

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

(17) 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.

(18) 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.

(19) Accounts payable

Accounts payable from purchasing raw materials, goods or services on credit are initially recognised at fair value less any transaction costs directly attributable to the issuance and subsequently measured at amortised cost using the effective interest method. Interest amortised using the effective interest method is recognised in profit or loss. However, short-term accounts payable without bearing interest are subsequently measured at transaction amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) Revenue recognition

A. Revenue from licensing intellectual property

(a) The Group entered into a contract with a customer to grant a license of patents to the customer. Given the license is distinct from other promised goods or services in the contract, the Group recognises the revenue from licensing when the license is transferred to a customer either at a point in time or over time based on the nature of the license granted. The customer pays a non-refundable upfront fee upon signing of the contract, and makes milestone payments once each milestone is achieved. Revenue is recognised based on the transaction price. The nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognised as revenue on a straight-line basis throughout the licensing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when transferring the license to a customer at a point in time

(b) Some contracts require a sales-based royalty in exchange for a license of intellectual property. The Group recognises revenue when the performance obligation has been satisfied and the subsequent sale occurs.

B. Sales of goods

The Group researches, designs, develops, manufactures and sells protein new drugs and adjuvants. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

C. Service revenue

The Group provides services including analytical method development, method validation and sample stability testing. Revenue from delivering services is recognised when the outcome of services provided can be estimated reliably.

(26) Reorganisation of entities under common control

In accordance with the IFRS Q&A 'Questions on the accounting treatment of business combination under common control' issued by the Accounting Research and Development Foundation of the R.O.C. (ARDF) on October 26, 2018, there are no definite rules for business combinations of entities under common control in IFRS 3, 'Business combinations'. Therefore, the Group applies the related interpretations issued in the R.O.C. to account for the reorganisation using the book value method and restate the prior year financial statements as if the entity had always been consolidated since the beginning.

(27) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) 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

	December 31, 2021	December 31, 2020
Cash on hand	$ 224	$ 162
Checking accounts and demand deposits	1,097,103	1,289,589
Time deposits	1,414,859	2,048,551
	$ 2,512,186	$ 3,338,302

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

Items	December 31, 2021	December 31, 2020
Current item:		
Financial assets mandatorily measured at fair value		
Domestic listed and over-the-counter stocks	$ -	$ 106,320
Domestic open-end fund	-	264,287
Foreign listed stocks	1,394	1,394
	1,394	372,001
Valuation adjustment	373	11,530
	$ 1,767	$ 383,531

A. The Group recognised a gain of $20,029 and $48,772 on financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020, respectively.

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

Items	December 31, 2021	December 31, 2020
Non-current item:		
Unlisted stocks	$ 27,181	$ 27,181
Valuation adjustment	(18,075)	(19,144)
	$ 9,106	$ 8,037

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 $9,106 and $8,037 as at December 31, 2021 and 2020, respectively.

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

	Years ended December 31,	
	2021	2020
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 1,069	($ 281)

C. As at December 31, 2021 and 2020, 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 $9,106 and $8,037, respectively.

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

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits	$ 140,000	$ -

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2021	2020
Interest income	$ 58	$ -

B. As at December 31, 2021 and 2020, 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 amortised cost held by the Group was $140,000 and $0, respectively.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Lab equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1, 2021									
Cost	$ 87,514	$ 328,657	$ 291,907	$ 368,061	$ 34,721	$ 664	$ 73,737	$ 117,366	$ 1,302,627
Accumulated depreciation	-	(78,786)	(152,184)	(259,759)	(28,840)	(664)	(51,201)	-	(571,434)
	$ 87,514	$ 249,871	$ 139,723	$ 108,302	$ 5,881	$ -	$ 22,536	$ 117,366	$ 731,193
2021									
At January 1	$ 87,514	$ 249,871	$ 139,723	$ 108,302	$ 5,881	$ -	$ 22,536	$ 117,366	$ 731,193
Additions	-	625	660	24,033	4,869	506	2,442	240,055	273,190
Disposals	-	-	(178)	(14,903)	-	-	-	-	(15,081)
Reclassifications (Note 1)	-	-	-	3,304	225	-	357	11,033	14,919
Depreciation	-	(13,407)	(30,703)	(47,379)	(2,871)	(25)	(10,923)	-	(105,308)
Net exchange differences	-	-	-	-	(1)	-	(34)	-	(35)
At December 31	$ 87,514	$ 237,089	$ 109,502	$ 73,357	$ 8,103	$ 481	$ 14,378	$ 368,454	$ 898,878
At December 31, 2021									
Cost	$ 87,514	$ 329,282	$ 292,267	$ 338,104	$ 39,722	$ 1,170	$ 65,848	$ 368,454	$ 1,522,361
Accumulated depreciation	-	(92,193)	(182,765)	(264,747)	(31,619)	(689)	(51,470)	-	(623,483)
	$ 87,514	$ 237,089	$ 109,502	$ 73,357	$ 8,103	$ 481	$ 14,378	$ 368,454	$ 898,878

	Land	Buildings and structures	Machinery and equipment	Lab equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1, 2020									
Cost	$ 87,514	$ 292,936	$ 288,922	$ 329,926	$ 30,409	$ 664	$ 62,203	$ 7,417	$ 1,099,991
Accumulated depreciation	-	(63,366)	(123,054)	(201,511)	(26,232)	(594)	(38,668)	-	(453,425)
	$ 87,514	$ 229,570	$ 165,868	$ 128,415	$ 4,177	$ 70	$ 23,535	$ 7,417	$ 646,566
2020									
At January 1	$ 87,514	$ 229,570	$ 165,868	$ 128,415	$ 4,177	$ 70	$ 23,535	$ 7,417	$ 646,566
Additions	-	35,622	4,278	16,363	4,716	-	7,192	103,987	172,158
Reclassifications (Note 1)	-	99	-	21,795	-	-	4,240	5,962	32,096
Depreciation	-	(15,420)	(30,423)	(58,270)	(3,016)	(70)	(12,526)	-	(119,725)
Net exchange differences	-	-	-	(1)	4	-	95	-	98
At December 31	$ 87,514	$ 249,871	$ 139,723	$ 108,302	$ 5,881	$ -	$ 22,536	$ 117,366	$ 731,193
At December 31, 2020									
Cost	$ 87,514	$ 328,657	$ 291,907	$ 368,061	$ 34,721	$ 664	$ 73,737	$ 117,366	$ 1,302,627
Accumulated depreciation	-	(78,786)	(152,184)	(259,759)	(28,840)	(664)	(51,201)	-	(571,434)
	$ 87,514	$ 249,871	$ 139,723	$ 108,302	$ 5,881	$ -	$ 22,536	$ 117,366	$ 731,193

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(26).

(6) Leasing arrangements - lessee

A. The Group leases various assets including land, office space and business vehicles. Rental contracts are typically made for periods of 1 to 14 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.

C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land use right	$ 92,527	$ 95,512
Buildings	157,614	91,515
Transportation equipment (Business vehicles)	-	-
	$ 250,141	$ 187,027

	Years ended December 31,	
	2021	2020
	Depreciation charge	Depreciation charge
Land use right	$ 2,985	$ 2,430
Buildings	48,527	44,237
Transportation equipment (Business vehicles)	-	572
	$ 51,512	$ 47,239

D. For the years ended December 31, 2021 and 2020, the Group increased ‘right-of-use assets’ by $114,761 and $14,686, respectively.

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

	Years ended December 31,	
	2021	2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 3,281	$ 3,404
Expense on short-term lease contracts	8,607	5,460
Expense on leases of low-value assets	446	458

F. For the years ended December 31, 2021 and 2020, the Group’s total cash outflow for leases arising from right-of-use assets were $61,405 (of which $49,071 represents principal of lease liabilities) and $54,920 (of which $45,598 represents principal of lease liabilities), respectively.

G. Extension options

(a) Extension options are included in the Group’s lease contracts pertaining to land. These terms and conditions are the lessor’s general practice and are in line with the plan and utilisation of the effective resources of the Group.

(b) Extension options are included in the Group's lease contracts pertaining to certain offices based on the terms of the industrial park. The Group shall have the priority to lease the premises if it has no significant violation of the lease. These terms and conditions are in line with the plan and utilisation of the effective resources of the Group.

(c) In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Intangible assets

	Patent					Patented technology				
	OBI-858	OBI-833	OBI-3424							
	Product development project of botulinum	Next-generation cancer vaccine	AKR1C3 enzyme prodrug	Bifunctional fusion protein for age-related mascular degeneration	Bispecific monoclonal antibody	Antibody-drug development platform	Trademarks	Software	Goodwill	Total
At January 1, 2021										
Cost	$ 42,858	$ 1,500	$ 90,693	$ 81,037	$ 271,933	$ 96,644	$ 1,815	$ 11,403	$ 61,148	$ 659,031
Accumulated amortisation	(37,858)	(1,188)	(30,231)	(17,470)	(81,579)	(28,993)	(231)	(7,600)	-	(205,150)
	$ 5,000	$ 312	$ 60,462	$ 63,567	$ 190,354	$ 67,651	$ 1,584	$ 3,803	$ 61,148	$ 453,881
2021										
At January 1	$ 5,000	$ 312	$ 60,462	$ 63,567	$ 190,354	$ 67,651	$ 1,584	$ 3,803	$ 61,148	$ 453,881
Additions	-	-	-	-	-	-	-	3,858	-	3,858
Amortisation	(4,286)	(150)	(9,069)	(5,823)	(27,193)	(9,665)	(181)	(3,088)	-	(59,455)
At December 31	$ 714	$ 162	$ 51,393	$ 57,744	$ 163,161	$ 57,986	$ 1,403	$ 4,573	$ 61,148	$ 398,284
At December 31, 2021										
Cost	$ 42,858	$ 1,500	$ 90,693	$ 81,037	$ 271,933	$ 96,644	$ 1,815	$ 9,413	$ 61,148	$ 657,041
Accumulated amortisation	(42,144)	(1,338)	(39,300)	(23,293)	(108,772)	(38,658)	(412)	(4,840)	-	(258,757)
	$ 714	$ 162	$ 51,393	$ 57,744	$ 163,161	$ 57,986	$ 1,403	$ 4,573	$ 61,148	$ 398,284

	Patent						Patented technology				
	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 mascular degeneration	Bispecific monoclonal antibody	Antibody-drug development platform	Trademarks	Software	Goodwill	Total
At January 1, 2020											
Cost	$ 87,577	$ 42,858	$ 1,500	$ 90,693	$ 81,037	$ 271,933	$ 96,644	$ 1,808	$ 14,133	$ 61,148	$ 749,331
Accumulated amortisation	(82,426)	(33,572)	(1,038)	(21,162)	(11,646)	(54,386)	(19,328)	(50)	(9,931)	-	(233,539)
	$ 5,151	$ 9,286	$ 462	$ 69,531	$ 69,391	$ 217,547	$ 77,316	$ 1,758	$ 4,202	$ 61,148	$ 515,792
2020											
At January 1	$ 5,151	$ 9,286	$ 462	$ 69,531	$ 69,391	$ 217,547	$ 77,316	$ 1,758	$ 4,202	$ 61,148	$ 515,792
Additions	-	-	-	-	-	-	-	7	2,957	-	2,964
Amortisation	(5,151)	(4,286)	(150)	(9,069)	(5,824)	(27,193)	(9,665)	(181)	(3,356)	-	(64,875)
At December 31	$ -	$ 5,000	$ 312	$ 60,462	$ 63,567	$ 190,354	$ 67,651	$ 1,584	$ 3,803	$ 61,148	$ 453,881
At December 31, 2020											
Cost	$ 87,577	$ 42,858	$ 1,500	$ 90,693	$ 81,037	$ 271,933	$ 96,644	$ 1,815	$ 11,403	$ 61,148	$ 746,608
Accumulated amortisation	(87,577)	(37,858)	(1,188)	(30,231)	(17,470)	(81,579)	(28,993)	(231)	(7,600)	-	(292,727)
	$ -	$ 5,000	$ 312	$ 60,462	$ 63,567	$ 190,354	$ 67,651	$ 1,584	$ 3,803	$ 61,148	$ 453,881

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

	Years ended December 31,			
	2021		2020	
Administrative expenses	$	2,082	$	2,582
Research and development expenses		57,373		62,293
	$	59,455	$	64,875

B. Goodwill is allocated as follows to the Group's cash-generating units:

	December 31, 2021		December 31, 2020	
AP Biosciences, Inc.	$	61,148	$	61,148

C. 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(7)C.(b) has been terminated when the contract value of this transfer contract was settled based on mutual agreement. For the years ended December 31, 2021 and 2020, the Company recognised the aforementioned royalty income of $1,756 and $1,489, respectively.

(d) The Company needs to pay the achieved milestones. As of December 31, 2021, the remaining unpaid amount was 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.

D. In order to improve mass production and manufacturing process of OBI-822 for expanding global market, the Company has signed an exclusive patent license for the Globo H series' chemosynthesis of carbohydrates with Academia Sinica on April 23, 2014, and the contract period is from April 23, 2014 to the expiration of protection duration of the last patented product. The Company must pay upfront patent licensing fees and royalty fees in accordance with the contract. Except for royalty fees, the Company assesses whether to pay periodical patent licensing fees based on 4 achieved milestones. The total contract amount was approximately $60,000. Further, pursuant to the supplements and amendments agreement on February 18, 2016, the patent licensing fees was reduced to $57,320. As of December 31, 2021, 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.

E. 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.

F. 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.

G. 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.

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 exchange for 6,700 thousand common stocks of AP Biosciences, Inc., which were held by AbProtix,Inc., at a share exchange ratio of 1:4 for a 67% equity interest in AP Biosciences, Inc. 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. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below.

   The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are as follows:

	AP Biosciences, Inc.	
	Years ended December 31,	
	2021	2020
Gross margin	80%~100%	87.5%~100%
Growth rate	5%	5%
Discount rate	15%	16%

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

(8) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate	Collateral
Bank borrowings			
Secured borrowings	$ 9,468	1.20%	Buildings located at No. 01410-000 and 01410-001, Shixing Section, Zhubei City

The Group had no short-term borrowings as of December 31, 2021.

(9) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021	December 31, 2020
Long-term bank borrowings					
Secured borrowings	Borrowing period is from October 5, 2016 to October 5, 2026; interest is payable monthly (Note 1)	Note 3	Note 2	$ 35,000	$ 42,000
Unsecured borrowings	Borrowing period is from October 5, 2016 to October 5, 2021; interest is payable monthly (Note 1)	Note 3	None	-	2,000
				35,000	44,000
Less: Current portion				(7,000)	(9,000)
				$ 28,000	$ 35,000

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 December 31, 2021 and 2020, the interest rate was 1.33%.

(10) Other payables

	Years ended December 31,	
	2021	2020
Accrued clinical trials cost	$ 115,754	$ 23,708
Payable on equipment	66,321	13,022
Accrued consulting and service fee	28,337	21,036
Accrued clinical materials expense	18,291	10,653
Wages and salaries payable	15,437	12,294
Payable on investment	-	91,210
Others	20,650	17,852
	$ 264,790	$ 189,775

(11) 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 years ended December 31, 2021 and 2020 were $12,639 and $11,316, 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 $5,254 and $4,844 for the years ended December 31, 2021 and 2020, respectively.

(12) Share-based payment

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

(a) The options were granted to qualified employees of the Company and the subsidiaries which the Company holds over 50% equity interest 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 services, employees can exercise options monthly at a certain percentage based on the schedule	-
〃	2010.05.21	100,000	1	〃	-
〃	2010.09.10	60,000	1	〃	-
〃	2010.12.15	144,000	1	〃	-
〃	2011.01.01	588,000	1	〃	-
〃	2011.03.30	80,000	1	〃	-
〃	2011.06.10	124,000	1	〃	-
〃	2011.09.30	260,000	1	〃	-
〃	2011.12.16	2,450,000	1	〃	-
〃	2012.01.01	1,560,000	1	〃	-
〃	2012.03.09	270,000	1	〃	0.19
〃	2013.11.27	1,821,000	1	Two years after services, employees can exercise options monthly at a certain percentage based on the schedule	1.91
〃	2014.02.21	1,744,000	1	〃	2.14
〃	2014.03.26	575,000	1	〃	2.23
〃	2015.05.06	2,861,000	1	〃	3.35
〃	2015.08.04	75,000	1	〃	3.59
〃	2015.11.06	353,000	1	〃	3.85
〃	2015.12.15	13,000	1	〃	3.96
〃	2016.03.25	1,377,000	1	〃	4.23
〃	2017.03.09	3,145,000	1	〃	5.19
〃	2017.05.12	20,000	1	〃	5.36
〃	2017.08.11	20,000	1	〃	5.61
〃	2017.11.10	130,000	1	〃	5.86
〃	2018.01.19	1,685,000	1	〃	6.05
〃	2019.09.06	1,125,000	1	〃	7.68
〃	2019.11.08	385,000	1	〃	7.85
〃	2020.08.05	510,000	1	〃	8.59
〃	2021.11.05	3,859,000	1	〃	9.85

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

(b) The options were granted to qualified employees of the subsidiary, Amaran Biotechnology Inc., issuing new shares of the subsidiary 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)	2014.01.15	920	1,000	One year after services, employees can exercise options monthly at a certain percentage based on the schedule	2.04
〃	2014.05.02	310	1,000	〃	2.33
〃	2014.09.03	270	1,000	〃	2.67
〃	2015.02.12	255	1,000	〃	3.11
〃	2015.05.27	300	1,000	〃	3.40
〃	2015.09.09	70	1,000	〃	3.68
〃	2015.12.15	235	1,000	〃	3.95
〃	2016.03.02	2,382	1,000	〃	4.16
〃	2016.09.02	45	1,000	〃	4.67
〃	2017.01.01	179	1,000	〃	5.00
〃	2017.04.01	34	1,000	〃	5.25
〃	2017.06.01	60	1,000	〃	5.41
〃	2018.03.23	1,090	1,000	〃	6.22
〃	2018.09.18	60	1,000	〃	6.71
〃	2019.01.01	65	1,000	〃	7.00
〃	2019.03.01	65	1,000	〃	7.16
〃	2019.10.01	210	1,000	〃	7.75
〃	2020.04.01	250	1,000	〃	8.25
〃	2020.05.01	120	1,000	〃	8.33
〃	2021.07.01	110	1,000	〃	9.50
〃	2021.08.01	115	1,000	〃	9.59
〃	2021.09.01	15	1,000	〃	9.67
〃	2021.10.01	1,139	1,000	〃	9.75

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

(c) The options were granted by the subsidiary, Obigen Pharma, Inc., to qualified employees of the subsidiary and the Company by issuing new shares of the subsidiary 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)	2021.12.09	1,568,000	1	Two years after services, employees can exercise options monthly at a certain percentage based on the schedule	9.95

Note: The above share-based payment arrangement is equity-settled.

(d) The options were granted by the subsidiary, AP Biosciences, Inc., to qualified employees of the subsidiary and the Company by issuing new shares of the subsidiary 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)	2021.12.16	2,286,000	1	Two years after services, employees can exercise options monthly at a certain percentage based on the schedule	9.95

Note: The above share-based payment arrangement is equity-settled.

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

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

	Years ended December 31,			
	2021		2020	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	9,954,335	$ 251.81	10,634,832	$ 249.44
Options granted	3,859,000	108.00	510,000	120.00
Options exercised	-	-	(457,500)	10.00
Options forfeited or expired	(1,088,021)	272.04	(732,997)	276.68
Options outstanding at end of the year	12,725,314	206.34	9,954,335	251.81
Options exercisable at end of the year	7,801,399		7,629,383	
Options authorised but not granted at end of the year	1,141,000		-	

(b) The employee stock option plan of subsidiary, Amaran Biotechnology Inc.:

	Years ended December 31,			
	2021		2020	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	3,230	$ 41.58	3,828	$ 41.55
Options granted	1,379	25.00	370	25.00
Options exercised	(25)	21.00	-	-
Options forfeited or expired	(248)	39.11	(968)	33.76
Options outstanding at end of the year	4,336	36.57	3,230	41.58
Options exercisable at end of the year	2,632		2,554	
Options authorised but not granted at end of the year	251		1,130	

(c) The employee stock option plan of subsidiary, Obigen Pharma, Inc.:

	Year ended December 31, 2021	
	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	-	$ -
Options granted	1,568,000	20.00
Options exercised	-	-
Options forfeited or expired	-	-
Options outstanding at end of the year	1,568,000	20.00
Options exercisable at end of the year	-	
Options authorised but not granted at end of the year	1,432,000	

No stock option was planned for the year ended December 31, 2020.

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

	Year ended December 31, 2021	
	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	-	$ -
Options granted	2,286,000	55.00
Options exercised	-	-
Options forfeited or expired	-	-
Options outstanding at end of the year	2,286,000	55.00
Options exercisable at end of the year	-	
Options authorised but not granted at end of the year	151,000	

No stock option was planned for the year ended December 31, 2020.

C. The weighted-average stock price of the Company's stock options at exercise dates for the year ended December 31, 2020 was $105.3 (in dollars), and no stock option was exercised for the year ended December 31, 2021. The weighted-average stock price of the subsidiary's, Amaran Biotechnology Inc., stock options at exercise dates for the year ended December 31, 2021 was $21 (in dollars), and no stock option was exercised for the year ended December 31, 2020. For the subsidiaries, Obigen Pharma, Inc. and AP Biosciences, Inc., no stock option was exercised for the years ended December 31, 2021 and 2020.

D. As of December 31, 2021 and 2020, the range of exercise prices of the Company's stock options outstanding were $108~$727 (in dollars) and $120~$727 (in dollars), respectively. The range of exercise prices of the subsidiary's, Amaran Biotechnology Inc., stock options outstanding was $15~$70 (in dollars). As of December 31, 2021, the exercise prices of the subsidiaries', Obigen Pharma, Inc. and AP Biosciences, Inc., stock options outstanding were $20 (in dollars) and $55 (in dollars), respectively. For the year ended December 31, 2020, no stock option was outstanding for the subsidiaries, Obigen Pharma, Inc. and AP Biosciences, Inc..

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

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

Type of agreement	Grant date	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
〃	2021.11.05	108.0	108.0	45.03%	6.375 years	0%	0.45%	47.33

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.

(b) The employee stock option plan of subsidiary, Amaran Biotechnology Inc.:

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	2014.01.15	$ 27.5	15.0	48.22%	10 years	0%	1.09%	$ 18.20
〃	2014.05.02	27.5	15.0	48.22%	10 years	0%	1.09%	18.20
〃	2014.09.03	31.5	50.0	48.22%	10 years	0%	1.02%	10.79
〃	2015.02.12	31.5	50.0	48.22%	10 years	0%	1.02%	10.79
〃	2015.05.27	31.5	50.0	48.22%	10 years	0%	1.02%	10.79
〃	2015.09.09	31.5~35.6	50.0	42.31%~ 42.87%	10 years	0%	0.78%~ 0.93%	12.80
〃	2015.12.15	31.5~35.6	50.0	42.31%~ 42.87%	10 years	0%	0.78%~ 0.93%	12.80
〃	2016.03.02	31.5	50.0	42.87%	10 years	0%	0.93%	12.80
〃	2016.09.02	35.6	50.0	42.31%	10 years	0%	0.78%	15.33
〃	2017.01.01	31.5~35.6	70.0	42.31%~ 42.87%	10 years	0%	0.78%~ 0.93%	15.33
〃	2017.04.01	31.5~35.6	70.0	42.31%~ 42.87%	10 years	0%	0.78%~ 0.93%	15.33
〃	2017.06.01	31.5~35.6	70.0	42.31%~ 42.87%	10 years	0%	0.78%~ 0.93%	15.33
〃	2018.03.23	20.9~29.0	25.0	20.75%~ 34.14%	10 years	0%	0.69%~ 0.86%	4.04
〃	2018.09.18	20.9~29.0	25.0	20.75%~ 34.14%	10 years	0%	0.69%~ 0.86%	4.04
〃	2019.01.01	24.8	25.0	33.59%~ 34.14%	10 years	0%	0.74%~ 0.79%	8.46
〃	2019.03.01	21.9	25.0	33.36%~ 33.92%	10 years	0%	0.69%~ 0.77%	6.44
〃	2019.10.01	20.9	25.0	32.15%~ 32.78%	10 years	0%	0.63%~ 0.67%	5.59
〃	2020.04.01	24.4	25.0	38.00%~ 38.12%	10 years	0%	0.42%~ 0.44%	8.94
〃	2020.05.01	20.4	25.0	38.59%~ 38.75%	10 years	0%	0.41%~ 0.47%	6.47
〃	2021.07.01	23.0	25.0	45.53%~ 46.68%	10 years	0%	0.32%~ 0.38%	9.58
〃	2021.08.01	23.0	25.0	45.53%~ 46.68%	10 years	0%	0.32%~ 0.38%	9.58
〃	2021.09.01	23.0	25.0	45.53%~ 46.68%	10 years	0%	0.32%~ 0.38%	9.58
〃	2021.10.01	23.0	25.0	45.53%~ 46.68%	10 years	0%	0.32%~ 0.38%	9.58

Note: Expected price volatility rate was estimated by using the average price volatility of similar listed and OTC companies within the appropriate period.

(c) The employee stock option plan of subsidiary, Obigen Pharma, Inc.:

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	2021.12.09	$ 20.7	20.0	46.70%~ 47.97%	6.375 years	0%	0.48%~ 0.51%	$ 9.70

Note: Expected price volatility rate was estimated by using the average price volatility of similar listed and OTC companies within the appropriate period.

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

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	2021.12.16	$ 45.2	55.0	80.87%	6.38 years	0%	0.48%	$ 30.08

Note: Expected price volatility rate was estimated by using the historical volatility record of similar entities.

F. For the years ended December 31, 2021 and 2020, the Group recognised employee stock option plan compensation expense of $54,017 and $76,821, respectively.

(13) Share capital

A. As of December 31, 2021, 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 $1,992,794 with a par value of $10 (in dollars) per share. Additionally, the Company increased its capital by issuing 10,693 thousand new shares to acquire 67% equity interest in Amaran Biotechnology Inc. with the merger effective date set on December 31, 2020. The registration was completed on February 3, 2021.

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

(Unit: shares in thousands)

	2021	2020
At January 1	198,892	187,655
Effect of reorganisation	-	10,693
Shares of the parent company sold by subsidiaries	74	87
Treasury shares arising from changes in shareholding ratio of subsidiaries	(18)	-
Exercise of employee stock options	-	457
At December 31	198,948	198,892

B. Treasury stock:

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

	Year ended December 31, 2021				
Reason for reacquisition	Beginning shares	Additions	Disposal	Ending shares	Carrying amount
Shares of the parent company held by subsidiaries treated as treasury shares (Note)	387 thousand shares	18 thousand shares	74 thousand shares	331 thousand shares	$ 45,990

	Year ended December 31, 2020				
Reason for reacquisition	Beginning shares	Additions	Disposal	Ending shares	Carrying amount
Shares of the parent company held by subsidiaries treated as treasury shares (Note)	474 thousand shares	-	87 thousand shares	387 thousand shares	$ 53,831

Note: Shares of the parent company held by subsidiaries are treated as treasury share but are entitled to the shareholders' rights. The number of shares was calculated by multiplying the number of shares of the Company held by the subsidiaries by the the Company's shareholding ratio to subsidiaries. Also noted that the shares of the parent company held by subsidiaries are held by the subsidiary, Amaran Biotechnology Inc., before it was included in the Group.

(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.

(14) 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.

	2021		
	Share premium	Employee stock options	Others
At January 1	$ 2,206,273	$ 1,196,428	$ 282,081
Employee stock options compensation cost	-	33,993	16,077
Employee stock options compensation cost from subsidiaries	-	-	543
Expiration of employee stock options	-	(137,527)	138,780
Changes in ownership interests in subsidiaries	-	-	(35,272)
Treasury share transactions	-	-	846
At December 31	$ 2,206,273	$ 1,092,894	$ 403,055

	2020		
	Share premium	Employee stock options	Others
At January 1	$ 10,127,077	$ 1,159,405	$ 218,505
Effect of reorganisation	336,764	-	-
Capital surplus used to offset accumulated deficit	(8,259,036)	-	-
Employee stock options compensation cost	-	38,491	17,517
Employee stock options exercised	1,468	(1,468)	-
Changes in ownership interests in subsidiaries	-	-	31,922
Disgorgement exercise	-	-	14,137
At December 31	$ 2,206,273	$ 1,196,428	$ 282,081

(15) 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 July 16, 2021, the Company's 2020 deficit is as follows:

	Year ended December 31, 2020
Accumulated deficit at beginning of the year	$ -
Net loss for 2020 (Note)	(1,377,935)
Accumulated deficit at end of the year	($ 1,377,935)

Note: This excludes effect of equity attributable to former owner of business combination under common control in the amount of $79,605.

E. As resolved by the shareholders on March 18, 2022, the Company's proposal for 2021 deficit compensation is as follows:

	Year ended December 31, 2021
Accumulated deficit at beginning of the year	($ 1,377,935)
Net loss for 2021	(1,530,687)
Accumulated deficit at end of the year	($ 2,908,622)

As of March 18, 2022, the aforementioned proposal for 2021 deficit compensation has not yet been resolved by the shareholders.

(16) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	$ 18,772	$ 140,886

Disaggregation of revenue from contracts with customers is as follows:

Year ended December 31, 2021	Sales of materials	Service provision	Patent technology licensing	Total
Revenue from external customer contracts				
Contract revenue	$ 4,837	$ 5,186	$ 8,749	$ 18,772

Year ended December 31, 2020	Sales of materials	Service provision	Patent technology licensing	Total
Revenue from external customer contracts				
Contract revenue	$ 1,169	$ 668	$ 139,049	$ 140,886

A. The Group's subsidiary, AP Biosciences, Inc., entered into a co-development and licensing agreement for new antibody drugs with Company T on July 26, 2019. AP Biosciences, Inc. offered Company T 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. Company T is responsible for all the subsequent clinical development when the transfer of professional expertise from AP Biosciences, Inc. is completed. Company T 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 Company T 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 December 31, 2021, AP Biosciences, Inc. received the upfront payments amounting to USD2,000 thousand for the three developed antibody products and USD2,500 thousand for the targets selected in the early stage of research and development. For the year ended December 31, 2021, no licensing revenue was recognised under the aforementioned licensing agreement as there was no new target added or milestone achieved. For the year ended December 31, 2020, operating revenue of $137,560 was recognised under the aforementioned licensing agreement.

B. AP Biosciences, Inc. entered into a co-development and licensing agreement for new antibody drugs with Company I in February 2016. AP Biosciences, Inc. granted the patent right to Company I. Company I is responsible for all the subsequent clinical development, and will obtain the exclusive manufacture and sale rights in China and emerging markets after the successful development of the new drugs. In accordance with the agreement, AP Biosciences, Inc. will receive royalties on future sales based on a percentage stipulated in the agreement.

   As of December 31, 2021, AP Biosciences, Inc. received the upfront payments amounting to USD250 thousand for the completion of the Phase I clinical trial and USD250 thousand for the completion of the Phase II clinical trial. As the above two phases of clinical trials were completed during 2021, AP Biosciences, Inc. recognised milestone licensing revenue amounting to $6,993 for the year ended December 31, 2021. For the year ended December 31, 2020, no operating revenue was recognised under the aforementioned licensing agreement as there was no milestone achieved.

(17) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	$ 6,458	$ 43,418

(18) Other gains and losses

	Years ended December 31, 2021	Years ended December 31, 2020
Net currency exchange loss	($ 42,062)	($ 124,118)
Gains on financial assets at fair value through profit or loss	20,029	48,751
Losses on disposals of property, plant and equipment	(15,081)	-
Others	(631)	(25)
	($ 37,745)	($ 75,392)

(19) Finance costs

	Years ended December 31, 2021	Years ended December 31, 2020
Interest expense	$ 3,798	$ 4,184

(20) Expenses by nature

	Years ended December 31, 2021	Years ended December 31, 2020
Employee benefit expenses	$ 452,499	$ 432,999
Clinical material expenses	196,976	211,246
Consulting and service fees	306,945	245,934
Clinical trials cost	456,899	414,114
Rental expenses	9,163	5,360
Depreciation charges	156,820	166,964
Amortisation charges	59,455	64,875
Other expenses	96,029	65,275
Operating costs and expenses	$ 1,734,786	$ 1,606,767

(21) Employee benefit expense

	Years ended December 31, 2021	Years ended December 31, 2020
Wages and salaries (including directors' remuneration)	$ 337,284	$ 305,082
Employee stock options	54,017	76,821
Labor and health insurance fees	20,887	17,217
Pension costs	17,893	16,160
Other personnel expenses	22,418	17,719
	$ 452,499	$ 432,999

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

B. As of December 31, 2021 and 2020, the Company had an accumulated deficit; thus, no employees' compensation and directors' and supervisors' remuneration was recognised for the years ended December 31, 2021 and 2020. 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.

(22) Income tax

A. Components of income tax expense:

	Years ended December 31, 2021	Years ended December 31, 2020
Current tax:		
Current tax on loss for the year	($ 5,264)	($ 4,639)
Prior year income tax over estimation	21,193	-
Total current tax	15,929	(4,639)
Deferred tax:		
Origination and reversal of temporary difference	8,434	8,433
Total deferred tax	8,434	8,433
Income tax benefit	$ 24,363	$ 3,794

B. The reconciliation between accounting income and income tax benefit:

	Years ended December 31, 2021	Years ended December 31, 2020
Tax calculated based on loss before tax and statutory tax rate	($ 309,306)	($ 279,380)
Tax effects of items required to be added by tax regulation	187,418	-
Tax effects of items disallowed by tax regulation	50	235
Withholding income tax	5,264	4,639
Tax effects of unrecognised deferred tax assets	113,404	270,712
Prior year income tax overestimation	(21,193)	-
Income tax benefit	($ 24,363)	($ 3,794)

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2021			
	January 1	Recognised in profit or loss	Business combination	December 31
－Deferred tax liabilities:				
Book-tax differences on business combinations	$ 63,196	($ 8,434)	$ -	$ 54,762

	Year ended December 31, 2020			
	January 1	Recognised in profit or loss	Business combination	December 31
－Deferred tax liabilities:				
Book-tax differences on business combinations	$ 71,629	($ 8,433)	$ -	$ 63,196

D. Details of the amount the Company and its subsidiary, AP Biosciences, Inc., are entitled as investment tax credits and unrecognised deferred tax assets under the Act for the Development of Biotech and New Pharmaceuticals Industry are as follows:

(a) Amounts of investment tax credits and unrecognised deferred tax assets that the Company is entitled to are as follows:

	December 31, 2021		
Qualifying items	Amount field/ assessed	Unused tax credits	Unrecognised deferred tax assets
Research and development expense	$ 958,393	$ 958,393	$ 958,393

	December 31, 2020		
Qualifying items	Amount field/ assessed	Unused tax credits	Unrecognised deferred tax assets
Research and development expense	$ 872,272	$ 872,272	$ 872,272

(b) Amounts of investment tax credits and unrecognised deferred tax assets that the subsidiary, AP Biosciences, Inc., is entitled to are as follows:

	2021		
Qualifying items	Amount field/ assessed	Unused tax credits	Unrecognised deferred tax assets
Research and development expense	$ 20,991	$ 20,991	$ 20,991

	2020		
Qualifying items	Amount field/ assessed	Unused tax credits	Unrecognised deferred tax assets
Research and development expense	$ 346	$ -	$ -

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

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets for the Company and the subsidiaries are as follows:

(a) Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the Company are as follows:

December 31, 2021

Year incurred	Amount field/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	$ 239,902	$ 239,902	$ 239,902	2022
2013	405,027	405,027	405,027	2023
2014	606,286	606,286	606,286	2024
2015	981,510	981,510	981,510	2025
2016	943,536	943,536	943,536	2026
2017	1,040,320	1,040,320	1,040,320	2027
2018	1,211,688	1,211,688	1,211,688	2028
2019	1,186,227	1,186,227	1,186,227	2029
2020	1,108,714	1,108,714	1,108,714	2030
2021	181,002	181,002	181,002	2031

December 31, 2020

Year incurred	Amount field/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2011	$ 116,457	$ 116,457	$ 116,457	2021
2012	239,902	239,902	239,902	2022
2013	405,027	405,027	405,027	2023
2014	606,286	606,286	606,286	2024
2015	981,510	981,510	981,510	2025
2016	943,536	943,536	943,536	2026
2017	1,040,320	1,040,320	1,040,320	2027
2018	1,211,688	1,211,688	1,211,688	2028
2019	1,196,669	1,196,669	1,196,669	2029
2020	1,159,787	1,159,787	1,159,787	2030

(b) Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the subsidiary, AP Biosciences, Inc., are as follows:

December 31, 2021

Year incurred	Amount field/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	$ 18,960	$ 10,300	$ 10,300	2025
2016	27,321	27,321	27,321	2026
2017	17,032	17,032	17,032	2027
2018	25,038	25,038	25,038	2028
2019	62,699	62,699	62,699	2029
2021	186,281	186,281	186,281	2031

December 31, 2020

Year incurred	Amount field/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	$ 8,309	$ -	$ -	2023
2014	22,773	-	-	2024
2015	18,960	9,786	9,786	2025
2016	27,321	27,321	27,321	2026
2017	17,032	17,032	17,032	2027
2018	25,038	25,038	25,038	2028
2019	62,699	62,699	62,699	2029

(c) Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the subsidiary, Amaran Biotechnology Inc., are as follows:

December 31, 2021

Year incurred	Amount field/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	$ 20,042	$ 20,042	$ 20,042	2023
2014	47,575	47,575	47,575	2024
2015	70,767	70,767	70,767	2025
2016	82,758	82,758	82,758	2026
2017	119,168	119,168	119,168	2027
2018	143,583	143,583	143,583	2028
2019	125,177	125,177	125,177	2029
2020	113,522	113,522	113,522	2030
2021	117,292	117,292	117,292	2031

December 31, 2020				
Year incurred	Amount field/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	$ 20,042	$ 20,042	$ 20,042	2023
2014	47,575	47,575	47,575	2024
2015	70,767	70,767	70,767	2025
2016	82,758	82,758	82,758	2026
2017	119,168	119,168	119,168	2027
2018	143,583	143,583	143,583	2028
2019	125,177	125,177	125,177	2029
2020	126,550	126,550	126,550	2030

(d) Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the subsidiary, Obigen Pharma, Inc., are as follows:

December 31, 2021				
Year incurred	Amount field/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	$ 134,667	$ 134,667	$ 134,667	2031

As of December 31, 2020, the subsidiary, Obigen Pharma, Inc., has no unused loss carryforward.

F. The Company's and the subsidiaries', AP Biosciences, Inc. and Amaran Biotechnology Inc., income tax returns through 2019 have been assessed and approved by the Tax Authority.

G. The subsidiary, OBI Pharma Australia Pty Ltd., was qualified for the Research and Development Tax Incentive provided by the Australian Government, and the subsidiary received prior year income tax refund amounting to $21,193 in 2021.

(23) Loss per share

	Year ended December 31, 2021		
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic and diluted loss per share			
Loss attributable to ordinary shareholders of the parent	($ 1,530,687)	198,941	($ 7.69)

	Year ended December 31, 2020		
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic and diluted loss per share			
Loss attributable to ordinary shareholders of the parent (Note 2)	($ 1,457,540)	198,591	($ 7.34)

Note 1: The potential ordinary shares have anti-dilutive effect due to net loss for the years ended December 31, 2021 and 2020, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

Note 2: The Company's merger transaction in 2020 was treated as if it had always been consolidated since the beginning. Thus, the loss for the year included the parent company and equity attributable to former owner of business combination under common control.

Note 3: The new shares issued due to the reorganisation were included when calculating the weighted average number of ordinary shares, and the loss per share for the year ended December 31, 2020 was calculated retrospectively.

(24) Non-controlling interest

A. Information on the capital increase of the Group's subsidiary, AP Biosciences, Inc., in 2020 is provided in Note 4(3) B. The effective date for the capital increase was set on November 2, 2020, and the Company did not acquire shares proportionally to its interest, which resulted in a decrease in its ownership by 8.01%. This capital increase resulted in an increase in the non-controlling interest by $259,228, and an increase in the equity attributable to owners of the parent by $31,922.

B. On December 31, 2020, the Company issued new shares to obtain 67% shares in the subsidiary, Amaran Biotechnology Inc. However, as the transaction pertains to a reorganisation, Amaran Biotechnology Inc. was treated as if it had always been consolidated since the beginning. Refer to Note 6(25) for details. This transaction resulted to an increase in the non-controlling interest by $22,588 and equity attributable to owners of the parent by $443,696, of which $372,829 was equity attributable to former owner of business combination under common control. Shares of the Company held by the subsidiary, Amaran Biotechnology Inc., are treated as treasury shares, resulting to a decrease in the non-controlling interest by $26,511 and equity attributable to owners of the parent by $53,831. Refer to Note 6(13)B for details.

C. For the year ended December 31, 2020, the Company granted stock options to employees of the subsidiary, AP Biosciences Inc., resulting to an increase in the non-controlling interest by $2,029 and equity attributable to owners of the parent by $3,968.

D. For the year ended December 31, 2020, the subsidiary, Amaran Biotechnology Inc., granted stock options to its employees, resulting to an increase in the non-controlling interest by $18,784.

E. The Group's subsidiary, AP Biosciences, Inc., increased its capital by issuing new shares, and the effective date for the cash capital increase was set on February 22, 2021. However, as the Company did not acquire shares proportionally to its interest, the Company's shareholding ratio decreased by 4.37%. The transaction resulted to an increase in non-controlling interest by $83,991 and equity attributable to owners of the parent by $16,009.

F. The Group's subsidiary, Amaran Biotechnology Inc., increased its capital by issuing new shares, and the effective date for the cash capital increase was set on May 3, 2021. However, as the Company did not acquire shares proportionally to its interest, the Company's shareholding ratio increased by 3.72%. The transaction resulted to an increase in non-controlling interest by $67,470 and decrease in the equity attributable to owners of the parent by $53,700.

G. For the year ended December 31, 2021, the Company granted stock options to employees of the subsidiaries, AP Biosciences, Inc. and Obigen Pharma, Inc., resulting to an increase in the non-controlling interest by $934 and equity attributable to owners of the parent by $1,234.

H. For the year ended December 31, 2021, the subsidiaries, AP Biosciences, Inc., Amaran Biotechnology Inc. and Obigen Pharma, Inc. granted stock options to employees of each subsidiary, resulting to an increase in the non-controlling interest by $3,013. Among them, some subsidiaries granted stock options to employees of the Company, resulting to a decrease in the non-controlling interest by $16 and increase in the equity attributable to owners of the parent by $16.

I. For the year ended December 31, 2021, employees of the subsidiary, Amaran Biotechnology Inc., exercised employee stock options, resulting to decrease in the Company's shareholding ratio, decrease in the non-controlling interest by $18 and increase in the equity attributable to owners of the parent by $543.

J. For the year ended December 31, 2021, some of employee stock options of the subsidiary, Amaran Biotechnology Inc., expired, resulting to decrease in the non-controlling interest by $1,253 and increase in equity attributable to owners of the parent by $1,253.

K. For the year ended December 31, 2021, the subsidiary, Amaran Biotechnology Inc., disposed shares of the Company which are treated as treasury shares by the Company. Refer to Note 6(13)B for details. The transaction resulted to an increase in the non-controlling interest by $5,902 and equity attributable to owners of the parent by $11,090.

L. Details of the Company's transactions with Obigen Pharma, Inc. are provided in Note 4(3) B. Obigen Pharma, Inc. increased its capital by issuing 75,853 thousand new shares. There are 47,250 thousand new shares as payment for the above transaction. As such, the Group increased non-controlling interest amounting to $473,370 in the first quarter of 2021. Remaining proceeds from the capital increase were collected by Obigen Pharma, Inc. in the second quarter of 2021, resulting to an increase in non-controlling interest amounting to $100,000.

M. The changes in non-controlling interests in the subsidiaries, AP Biosciences, Inc., Amaran Biotechnology Inc. and Obigen Pharma, Inc., and effects on the equity attributable to owners of the parent for the years ended December 31, 2021 and 2020 is shown below:

Effect of not participating in capital increase proportionally to its interest:

	Years ended December 31, 2021	Years ended December 31, 2020
Cash	$ 113,770	$ 291,150
Increase in the carrying amount of non-controlling interest	(151,445)	(259,228)
Treasury shares - recognition of changes in ownership interests in subsidiaries	2,403	-
Capital surplus - recognition of changes in ownership interest in subsidiaries	($ 35,272)	$ 31,922

Effect of share-based payment transactions:

	Years ended December 31, 2021	Years ended December 31, 2020
Cash	$ 525	$ -
Employee compensation cost	5,147	24,781
Increase in the carrying amount of non-controlling interest	(2,676)	(20,813)
Capital surplus - others	$ 2,996	$ 3,968

Effect of shares of the Company held by the subsidiary treated as treasury shares:

	Years ended December 31, 2021	Years ended December 31, 2020
Recognized as treasury share	$ 16,992	($ 80,342)
Increase in the carrying amount of non-controlling interest	(5,902)	26,511
Treasury shares	(10,244)	53,831
Capital surplus - transactions of treasury shares	$ 846	$ -

(25) Reorganisation of entities under common control

A. The Company’s product, Adagloxad Simolenin, has entered into clinical trials. 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. Thus, the Company issued 10,693 thousand shares of common share in exchange for 53,466 thousand shares of common share of Amaran Biotechnology Inc. from Amaran Biotechnology Inc.’s shareholders to acquire 67% equity interest in Amaran Biotechnology Inc. on December 31, 2020. Since the Company and Amaran Biotechnology Inc. are under common control, this merger transaction is considered as a reorganisation transaction. Amaran Biotechnology Inc. was accounted for using the book value method. The difference between the book value of Amaran Biotechnology Inc. and the investment cost was adjusted in the ‘capital surplus, additional paid-in capital’ in the amount of $336,764.

B. The Company treats Amaran Biotechnology Inc. as if it had always been consolidated since the beginning and restated the pre-acquisition consolidated financial statements for the year ended December 31, 2020. Regarding the equity held by the initial controller of the target company, profit attributable to the initial controller of the target company was classified as ‘profit attributable to former owner of business combination under common control’ when preparing the comparative consolidated statements of comprehensive income.

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31, 2021	Years ended December 31, 2020
Acquisition of property, plant and equipment	$ 273,190	$ 172,158
Add: Opening balance of payable	13,022	8,024
Less: Ending balance of payable	(66,321)	(13,022)
Cash paid during the year	$ 219,891	$ 167,160

(27) Changes in liabilities from financing activities

	Lease liabilities	Short-term borrowings	Long-term borrowings	Liabilities from financing activities - gross
At January 1, 2021	$ 192,485	$ 9,468	$ 44,000	$ 245,953
Changes in cash flow from financing activities	(49,071)	(9,468)	(9,000)	(67,539)
Impact of changes in foreign exchange rate	(143)	-	-	(143)
Changes in other non-cash items	114,761	-	-	114,761
At December 31, 2021	$ 258,032	$ -	$ 35,000	$ 293,032

	Lease liabilities	Short-term borrowings	Long-term borrowings	Liabilities from financing activities - gross
At January 1, 2020	$ 223,224	$ -	$ 53,000	$ 276,224
Changes in cash flow from financing activities	(45,598)	9,468	(9,000)	(45,130)
Impact of changes in foreign exchange rate	173	-	-	173
Changes in other non-cash items	14,686	-	-	14,686
At December 31, 2020	$ 192,485	$ 9,468	$ 44,000	$ 245,953

7. RELATED PARTY TRANSACTIONS

(1) Name of related party and relationship

Name of related party	Relationship with the Group
Tanvex Biologics Corporation	Other related party
Ruentex Engeineering & Construction Co., Ltd.	Other related party
Ruentex Xu-Zhan Development Co., Ltd.	Other related party
Ruentex Construction Co., Ltd.	Other related party

(2) Significant related party transactions

A. Research and development expenses - manufacture of clinical materials

	Years ended December 31,	
	2021	2020
Tanvex Biologics Corporation	$ 2,323	$ -

The Group commissioned Tanvex Biologics Corporation to carry out clone selection services. The total contract price was $7,250 (tax excluded), and the expenditures on consumables and other experiments are charged additionally. The aforementioned research and development expenses of $2,323 included consumables and other related expenses.

B. Lease transactions (lessee)

(a) The Group leases office buildings from Ruentex Xu-Zhan Development Co., Ltd.. Rental contracts are made for periods from 2015 to 2025. The rentals are determined based on mutual agreements, and are paid monthly. The Group paid rental deposits for the above lease amounting to $5,121.

(b) Lease liability

i. Outstanding balance:

	December 31, 2021	December 31, 2020
Ruentex Xu-Zhan Development Co., Ltd.	$ 56,279	$ 68,142

ii. Interest expense:

	Years ended December 31,	
	2021	2020
Ruentex Xu-Zhan Development Co., Ltd.	$ 1,004	$ 1,191

C. The subsidiary, Amaran Biotechnology Inc., commissioned Ruentex Engeineering & Construction Co., Ltd. to undertake an additional construction for a total contract price of $50,620 (tax included) in January 2020. However, the final completed price was $38,484. The construction was completed, and the payment was made in August 2020.

D. The subsidiary, Obigen Pharma, Inc., commissioned Ruentex Construction Co., Ltd. to construct plants in Hsinchu Biomedical Science Park in July 2021, and the total contract price was $90,092 (tax included). In addition, there was an additional construction cost of $22,886 (tax included) in November 2021. As of December 31, 2021, the Group had paid $69,243 for the construction.

(3) Key management compensation

	Years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	$ 108,842	$ 124,077
Share-based payments	38,186	30,860
	$ 147,028	$ 154,937

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2021	December 31, 2020	Purpose
Land	$ 87,514	$ 87,514	Long-term borrowings (Note 1)
Buildings and structures	13,420	13,720	Long-term borrowings (Note 1)
Buildings and structures	-	236,151	Short-term borrowings (Note 2)
Other non-current assets (refundable deposits and time deposits)	53,324	48,534	Duty paid after customer release, deposits for clinical trial agreement, rental deposit and letters of credit, etc.
	$ 154,258	$ 385,919	

Note 1: The Company 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(9) for details.

Note 2: The subsidiary, Amaran Biotechnology Inc., entered into a loan agreement with Mega International Commercial Bank in 2020 for a total credit facility of $100 million, and pledged properties as collateral with line of credit guaranty to Mega International Commercial Bank. The loan was fully paid in 2021. Please refer to Note 6(8) for details.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Aside from the promised payments described in Note 6(7) Intangible assets and the significant transactions with related parties described in Note 7(2), 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 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 $44,098 had been paid as of December 31, 2021.

(3) On December 8, 2021, the Company and Biosion, Inc. (hereafter referred to as "Biosion") entered into an exclusive authorisation contract of humanised Trop2 monoclonal antibody (product No. BSI-04702). The authorisation include global exclusive right, except Mainland China, Hong Kong and

Macao. Under the contract, the Company will pay signing bonus to Biosion, milestone payment based on the progress of the research and development, and royalties based on a certain percentage of sales amount after the product has been launched in the market.

(4) As the Company has begun the third stage of human subjects in clinical trials of OBI-822, the Company will pay milestone payment to the American company, Optimer, in the amount of US$1 million depending on the progress of the research. Refer to Note 6(7)C.(d).

(5) On November 17, 2020, the subsidiary, Amaran Biotechnology Inc., entered into a construction agreement with Xuan Tong System Integration Co. Ltd. to build an aseptic plant with a total contract price of $113,400 (tax included). As of December 31, 2021, Amaran Biotechnology Inc. has paid $79,380.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Refer to Note 6(15) for details on the proposal of 2021 deficit compensation.

(2) On November 26, 2021, the Board of Directors of the Company approved to increase cash capital. On January 18, 2022, the capital increase had been approved by the Financial Supervisory Commission, with the effective date set on February 26, 2022. The total issuance was 30 million common shares with a par value of $100 (in dollars) per share, at an issuance price of $105 (in dollars) per share.

(3) After the approval by the Board of Directors of the Company and the Investment Commission of MOEA on September 28, 2020 and November 11, 2021, the Company and Odeon Therapeutics (Hong Kong) Limited (hereafter referred to as "Odeon") entered into an exclusive authorisation agreement in China (including Hong Kong and Macao) of OBI-833 (Globo H Adagloxad Simolenin) and OBI-999 (Globo H Antibody Drug Conjugate) on February 22, 2022. Under the agreement, Odeon will possess the clinical trials of OBI-833 and OBI-999 in China and legal registration to sell products in the market. The agreement including the right of prior purchase of intellectual property of OBI-888 (Globo H monoclonal antibody), covers a period of 2 years starting from the date the agreement was signed. The authorisation agreement provides for a payment at signing of US$12 million and milestone payments that could reach a total of US$200 million, as well as royalties as a percentage of net sales. Under the agreement, the Company received the new shares as a consideration from Odeon Therapeutics (Cayman) Limited (the parent company and owned a 100% equity interest in Odeon).

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 2021, the Group's strategy, which was unchanged from 2020, was to maintain the gearing ratio within reasonable security range. The ratios are as follows:

	December 31, 2021	December 31, 2020
Total liability	$ 615,948	$ 502,091
Less: Cash and cash equivalents	(2,512,186)	(3,338,302)
Net debt	($ 1,896,238)	($ 2,836,211)
Total equity	$ 3,870,803	$ 4,837,759

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at fair value through profit or loss	$ 1,767	$ 383,531
Financial assets at fair value through other comprehensive income	$ 9,106	$ 8,037
Financial assets at amortised cost		
Cash and cash equivalents	2,512,186	3,338,302
Financial assets at amortised cost	140,000	-
Accounts receivable	3,465	1,451
Other receivables	19,804	17,567
Other financial assets (guarantee deposits paid)	53,324	48,534
	$ 2,728,779	$ 3,405,854
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ -	$ 9,468
Accounts payable	525	157
Other payables (including related parties)	264,860	189,775
Long-term borrowings (including current portion)	35,000	44,000
	$ 300,385	$ 243,400
Lease liabilities	$ 258,032	$ 192,485

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

<u>Foreign exchange risk</u>

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, RMB and AUD. 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:

	December 31, 2021					
				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 40,887	27.680	$ 1,131,752	1%	$ 11,318	$ -
USD:RMB	314	6.372	8,692	1%	87	-
Financial assets						
Non-monetary items						
USD:NTD	2,422	27.680	67,046	-	-	-
RMB:USD	2,630	0.157	11,426	-	-	-
AUD:NTD	2,249	20.080	45,162	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	4,317	27.680	119,495	1%	1,195	-

	December 31, 2020					
				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 72,284	28.480	$ 2,058,648	1%	$ 20,586	$ -
RMB:NTD	1,165	4.377	5,099	1%	51	-
Financial assets						
Non-monetary items						
USD:NTD	2,096	28.480	59,697	-	-	-
RMB:USD	1,722	0.154	7,537	-	-	-
AUD:NTD	5,359	21.950	117,639	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	2,172	28.480	61,859	1%	619	-

v. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020 amounted to $42,062 and $124,118, 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 and foreign 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 years ended December 31, 2021 and 2020 would have increased/decreased by $14 and $3,057, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity for the years ended December 31, 2021 and 2020 would have increased/decreased by $91 and $80, 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 and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings were calculated by floating rate and stated at New Taiwan Dollars for the years ended December 31, 2021 and 2020.

ii. At December 31, 2021 and 2020, if interest rates had been 1% higher or lower with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have been $313 and $423 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 December 31, 2021 and 2020, the expected loss rate of the Group's accounts receivable that are not past due is immaterial.

viii. For investments in debt instruments at amortised cost and at fair value through other comprehensive income, the credit rating levels are presented below:

	December 31, 2021			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost				
Domestic bank	$ 140,000	$ -	$ -	$ 140,000

The Group has no investments in debt instruments at amortised cost as of December 31, 2020.

The credit risk of investments in debt instruments at amortised cost, held by the Group, is free from material misstatement.

(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.

	December 31, 2021				
	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:					
Accounts payable	$ 525	$ -	$ -	$ -	$ -
Other payables (including related parties)	264,860	-	-	-	-
Long-term borrowings (including current portion)	7,415	7,322	7,229	14,178	-
Lease liabilities (including current portion)	55,542	43,112	27,321	34,461	123,210

	December 31, 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:					
Short-term borrowings	$ 9,569	$ -	$ -	$ -	$ -
Accounts payable	157	-	-	-	-
Other payables	189,775	-	-	-	-
Long-term borrowings (including current portion)	9,520	7,415	7,322	14,365	7,043
Lease liabilities (including current portion)	39,658	22,519	20,610	35,436	96,992

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, financial assets at amortised cost, accounts receivable, other receivables, other financial asset (guarantee deposits paid) 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:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Foreign listed stocks	1,767	-	-	1,767
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	9,106	9,106
	$ 1,767	$ -	$ 9,106	$ 10,873

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Domestic listed and over-the-counter stocks	$ 105,726	$ -	$ -	$ 105,726
Domestic open-end fund	276,433	-	-	276,433
Foreign listed stocks	1,372	-	-	1,372
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	8,037	8,037
	$ 383,531	$ -	$ 8,037	$ 391,568

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:

	Listed stocks	Open-end fund
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:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 9,106	Market comparable companies	Price to book ratio multiple	1.41~2.63 (1.83)	The higher the mulitple, the higher the fair value
			Discount for lack of marketability	16.68%~ 46.21% (29%)	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 8,037	Market comparable companies	Price to book ratio multiple	1.43~4.19 (2.26)	The higher the mulitple, the higher the fair value
			Discount for lack of marketability	26.27%~ 68.19% (45%)	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:

	Input	Change	December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Price to book ratio multiple	±10%	$ -	$ -	$ 910	($ 910)
	Discount for lack of marketability	±10%	$ -	$ -	$ 374	($ 374)

	Input	Change	December 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Price to book ratio multiple	±10%	$ -	$ -	$ 807	($ 807)
	Discount for lack of marketability	±10%	$ -	$ -	$ 647	($ 647)

H. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	Equity securities	
	Years ended December 31,	
	2021	2020
Opening net book amount	$ 8,037	$ 8,318
Profit (loss) recognised in other comprehensive income	1,069	(281)
Closing net book amount	$ 9,106	$ 8,037

I. As of December 31, 2021 and 2020, 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: Please refer to table 3.

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 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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 7.

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.

(3) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Years ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 4,131	$ 1,559,728	$ 3,326	$ 1,372,564
Others	14,641	10,456	137,560	15,903
	$ 18,772	$ 1,570,184	$ 140,886	$ 1,388,467

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other non-current assets (excluding guarantee deposits paid), and are classified based on their geographic location.

(4) Major customer information

In 2021 and 2020, the Group's revenues to a single customer accounting for more than 10% of consolidated operating income is as follows:

	2021		2020	
	Revenue	Division	Revenue	Division
Company C	$ 7,648	Taiwan	$ 1,169	Taiwan
Company D	6,993	Taiwan	-	-
Company E	2,314	Taiwan	603	Taiwan
Company A	-	-	137,560	Taiwan

OBI Pharma, Inc. and Subsidiaries

Loans to others

For the year ended December 31, 2021

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 year ended December 31, 2021	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	OBI Pharma, Inc.	OBI Pharma (Shanghai) Limited	Y	Other receivables - related party	$ 17,692	$ -	$ -	1.60%	2	$ -	Working capital	$ -	-	$ -	$ 271,588	$ 1,086,350	Note 1
1	OBI Pharma Australia Pty Ltd	"	"	"	2,768	2,768	1,405	1.33%	"	-	"	-	-	-	4,516	18,065	Note 2

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

Note 3: 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)

December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2021				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership	Fair value	Footnote
OBI Pharma, Inc.	Agnitio Science & Technology Inc./Stock	None	Financial assets at fair value through other comprehensive income - non-current	867,018	$ 9,106	3.27%	$ 9,106	None
Amaran Biotechnology Inc.	Edesa Biotech, Inc./Stock	"	Financial assets at fair value through profit or loss - current	11,338	1,767	-	1,767	"

OBI Pharma, Inc. and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2021		Additions		Disposal				Balance as at December 31, 2021		
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Footnote
OBI Pharma, Inc.	Obigen Pharma, Inc. Common stock	Investments accounted for under the equity method	Obigen Pharma, Inc.	Subsidiary	-	$ -	47,250,000	$ 63,438 Note 2	-	$ -	$ -	$ -	47,250,000	$ 63,438	Note 1

Note 1: Obigen Pharma, Inc. became a subsidiary of the Company since the first quarter of 2021.

Note 2: It includes the Company's new investment amounting to $945,000 in Obigen Pharma, Inc. in February 2021, and the investment loss and unrealised gain on disposal recognised for the year.

OBI Pharma, Inc. and Subsidiaries

Significant inter-company transactions during the reporting period

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	OBI Pharma USA, Inc.	OBI Pharma, Inc.	2	Accounts receivable	$ 11,190	(Note 4)	0.25
1	"	"	"	Service revenue	161,053	"	857.94
2	Amaran Biotechnology Inc.	"	"	CMO revenue, equipment calibration and analysis service revenue	23,384	"	124.57

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 consolidated income statement accounts.

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

Note 5: Only those inter-company transactions exceeding $10,000 are disclosed, with the transactions from the counterparty undisclosed.

OBI Pharma, Inc. and Subsidiaries

Information on investees

For the year ended December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2021	Initial investment amount: Balance as at December 31, 2020	Shares held as at December 31, 2021: Number of shares	Shares held as at December 31, 2021: Ownership (%)	Shares held as at December 31, 2021: Book value	Net loss of the investee for the year ended December 31, 2021	Investment loss recognised by the Company for the year ended December 31, 2021	Footnote
OBI Pharma, Inc.	Amaran Biotechnology Inc.	Taiwan	Manufacture and wholesale of western pharmaceuticals as well as research and development of biotechnology	$ 676,096	$ 389,865	64,915,252	70.70	$ 554,291	($ 127,385)	($ 80,990)	Note 3
"	AP Biosciences, Inc.	Taiwan	Research and development of biotechnology	640,035	640,035	13,312,000	54.62	484,977	(187,606)	(121,499)	"
"	Obigen Pharma, Inc.	Taiwan	Research and development of biotechnology	945,000	-	47,250,000	62.17	63,438	(134,905)	(83,750)	Notes 2 and 3
"	OBI Pharma USA, Inc.	USA	Research and development of biotechnology	74,736	74,736	2,701,000	100.00	54,716	(9,733)	(9,733)	Note 3
"	OBI Pharma Australia Pty Ltd.	Australia	Research and development of biotechnology	213,852	213,852	10,650,000	100.00	45,162	(65,492)	(65,492)	"
"	OBI Pharma Limited	Hong Kong	Investments and trading	73,352	59,512	2,650,000	100.00	12,330	(10,006)	(10,006)	"

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: The Company exchanged receivables for new shares of Obigen Pharma, Inc. As a result, Obigen Pharma, Inc. became a subsidiary of the Company. The initial investment amount included unrealised revenue from licensing of $824,706 and unrealised gains on disposal of $16,907.

Note 3: Inter-company transactions between companies within the Group are eliminated.

OBI Pharma, Inc. and Subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2021

Table 6

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, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
OBI Pharma (Shanghai) Limited	Research and development of biotechnology	$ 69,200	Note 1	$ 55,360	13,840	$ -	$ 69,200	($ 9,880)	100.00	($ 9,880)	$ 11,426	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (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.	$ 69,200	$ 69,200	$ 1,629,526

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

Note 2: The total investment amount of USD 2.5 million was approved pursuant to the Jing-Shen-II-Zi Letter No.10200125600, No. 10600182730, No. 10800182030, No. 10900147100 and No.11000049960.

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

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

OBI Pharma, Inc. and Subsidiaries

Major shareholders information

December 31, 2021

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Yi Tai Investment Co., Ltd.	25,765,032	12.92%
Huei Hong Investment Co., Ltd.	17,471,099	8.76%

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 this table is presumably in accordance with the shareholders' register as of the date for suspension of share transfer for a shareholders' special meeting (no covering of short sale positions) to further calculate the allocation of the balance of each margin trading.

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 199,279,374 shares = 199,279,374 (common shares) + 0 (preference shares).