

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2022 AND 2021

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of OBI PHARMA, INC. and subsidiaries (the "Group") as at September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the related consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

David Teng

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

November 4, 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 report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Assets		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 5,075,067	72	\$ 2,512,186	56	\$ 3,159,213	65
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		332	-	1,767	-	2,330	-
1136	Financial assets at amortised cost -	6(4)						
	current		61,750	1	140,000	3	-	-
1150	Notes receivable, net		7	-	-	-	-	-
1170	Accounts receivable, net		1,582	-	3,465	-	1,143	-
1200	Other receivables		19,269	-	19,804	1	18,828	-
130X	Inventories		23,729	-	9,562	-	7,060	-
1410	Prepayments		201,734	3	167,353	4	158,379	3
11XX	Total current assets		<u>5,383,470</u>	<u>76</u>	<u>2,854,137</u>	<u>64</u>	<u>3,346,953</u>	<u>68</u>
Non-current assets								
1517	Financial assets at fair value	6(3)						
	through other comprehensive							
	income - non-current		8,699	-	9,106	-	7,055	-
1600	Property, plant and equipment, net	6(5), 7 and 8	992,689	14	898,878	20	799,093	16
1755	Right-of-use assets	6(6)	206,818	3	250,141	5	253,269	5
1780	Intangible assets, net	6(7)	397,168	6	398,284	9	410,442	9
1900	Other non-current assets	8	53,668	1	76,205	2	71,884	2
15XX	Total non-current assets		<u>1,659,042</u>	<u>24</u>	<u>1,632,614</u>	<u>36</u>	<u>1,541,743</u>	<u>32</u>
1XXX	Total assets		<u>\$ 7,042,512</u>	<u>100</u>	<u>\$ 4,486,751</u>	<u>100</u>	<u>\$ 4,888,696</u>	<u>100</u>

(Continued)

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Current borrowings	6(8)	\$ 5,705	-	\$ -	-	\$ 9,468	1
2150	Notes payable		4	-	-	-	660	-
2170	Accounts payable		327	-	525	-	19	-
2200	Other payables	6(10)	104,351	2	264,790	6	53,761	1
2220	Other payables to related parties	7	-	-	70	-	-	-
2230	Current income tax liabilities		947	-	336	-	815	-
2280	Current lease liabilities	7	43,361	1	52,070	1	42,885	1
2320	Long-term liabilities, current portion	6(9)	7,000	-	7,000	-	7,500	-
2399	Other current liabilities		9,515	-	2,433	-	2,615	-
21XX	Total current liabilities		<u>171,210</u>	<u>3</u>	<u>327,224</u>	<u>7</u>	<u>117,723</u>	<u>3</u>
Non-current liabilities								
2500	Non-current financial liabilities at fair value through profit or loss	6(11)	47,625	1	-	-	-	-
2540	Long-term borrowings	6(9)	22,750	-	28,000	1	29,750	1
2570	Deferred income tax liabilities		48,437	1	54,762	1	56,871	1
2580	Non-current lease liabilities	7	172,610	2	205,962	5	217,560	4
2600	Other non-current liabilities		3	-	-	-	-	-
25XX	Total non-current liabilities		<u>291,425</u>	<u>4</u>	<u>288,724</u>	<u>7</u>	<u>304,181</u>	<u>6</u>
2XXX	Total liabilities		<u>462,635</u>	<u>7</u>	<u>615,948</u>	<u>14</u>	<u>421,904</u>	<u>9</u>
Equity attributable to owners of parent								
	Share capital	6(14)						
3110	Common stock		2,292,794	33	1,992,794	44	1,992,794	41
	Capital surplus	6(13)(15)(25)						
3200	Capital surplus		6,874,571	97	3,702,222	82	3,682,848	75
	Retained earnings	6(16)						
3350	Accumulated deficit		(3,944,793)	(56)	(2,908,622)	(65)	(2,349,901)	(48)
3400	Other equity interest	6(3)	(14,720)	-	(24,528)	-	(26,399)	(1)
3500	Treasury shares	6(14)(25)	(45,990)	(1)	(45,990)	(1)	(46,002)	(1)
31XX	Equity attributable to owners of the parent		<u>5,161,862</u>	<u>73</u>	<u>2,715,876</u>	<u>60</u>	<u>3,253,340</u>	<u>66</u>
36XX	Non-controlling interest	4(3) and 6(25)	<u>1,418,015</u>	<u>20</u>	<u>1,154,927</u>	<u>26</u>	<u>1,213,452</u>	<u>25</u>
3XXX	Total equity		<u>6,579,877</u>	<u>93</u>	<u>3,870,803</u>	<u>86</u>	<u>4,466,792</u>	<u>91</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments								
Significant Events after the Balance Sheet Date								
3X2X	Total liabilities and equity		<u>\$ 7,042,512</u>	<u>100</u>	<u>\$ 4,486,751</u>	<u>100</u>	<u>\$ 4,888,696</u>	<u>100</u>

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2022		2021		2022		2021	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17)	\$ 1,075	-	\$ 2,786	1	\$ 4,204	1	\$ 16,262	2
5000 Operating costs		(9,221)	(2)	(5,556)	(2)	(36,167)	(3)	(29,479)	(3)
5900 Gross loss		(8,146)	(2)	(2,770)	(1)	(31,963)	(2)	(13,217)	(1)
Operating expenses	6(5)(6)(7)(12) (13)(21)(22) and 7								
6200 Administrative expenses		(73,309)	(16)	(63,906)	(16)	(232,531)	(19)	(195,484)	(18)
6300 Research and development expenses		(518,928)	(114)	(329,201)	(83)	(1,219,341)	(98)	(902,115)	(80)
6000 Total operating expenses		(592,237)	(130)	(393,107)	(99)	(1,451,872)	(117)	(1,097,599)	(98)
6900 Operating loss		(600,383)	(132)	(395,877)	(100)	(1,483,835)	(119)	(1,110,816)	(99)
Non-operating income and expenses									
7100 Interest income	6(18)	16,643	3	1,496	-	26,711	2	4,799	-
7010 Other income		187	-	89	-	450	-	1,591	-
7020 Other gains and losses	6(19)	130,467	29	612	-	217,005	17	(15,161)	(1)
7050 Finance costs	6(20) and 7	(1,060)	-	(1,065)	-	(3,082)	-	(2,691)	-
7000 Total non-operating income and expenses		146,237	32	1,132	-	241,084	19	(11,462)	(1)
7900 Loss before tax		(454,146)	(100)	(394,745)	(100)	(1,242,751)	(100)	(1,122,278)	(100)
7950 Income tax benefit	6(23)	802	-	22,048	6	2,248	-	23,558	2
8200 Loss for the period		(\$ 453,344)	(100)	(\$ 372,697)	(94)	(\$ 1,240,503)	(100)	(\$ 1,098,720)	(98)
Other comprehensive income (loss) for the period, net									
Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8316 Unrealised valuation gains and loss from equity investment instruments measured at fair value through other comprehensive income	6(3)	\$ 824	-	(\$ 1,459)	-	(\$ 407)	-	(\$ 982)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		4,670	1	(2,746)	(1)	10,082	1	(8,629)	(1)
8300 Other comprehensive income (loss) for the period, net		\$ 5,494	1	(\$ 4,205)	(1)	\$ 9,675	1	(\$ 9,611)	(1)
8500 Total comprehensive loss for the period		(\$ 447,850)	(99)	(\$ 376,902)	(95)	(\$ 1,230,828)	(99)	(\$ 1,108,331)	(99)
Loss attributable to:									
8610 Owners of the parent		(\$ 387,533)	(86)	(\$ 324,872)	(82)	(\$ 1,036,171)	(83)	(\$ 971,966)	(87)
8620 Non-controlling interest		(65,811)	(14)	(47,825)	(12)	(204,332)	(17)	(126,754)	(11)
Total		(\$ 453,344)	(100)	(\$ 372,697)	(94)	(\$ 1,240,503)	(100)	(\$ 1,098,720)	(98)
Comprehensive loss attributable to:									
8710 Owners of the parent		(\$ 381,950)	(84)	(\$ 329,077)	(83)	(\$ 1,026,363)	(83)	(\$ 981,577)	(88)
8720 Non-controlling interest		(65,900)	(15)	(47,825)	(12)	(204,465)	(16)	(126,754)	(11)
Total		(\$ 447,850)	(99)	(\$ 376,902)	(95)	(\$ 1,230,828)	(99)	(\$ 1,108,331)	(99)
Loss per share (in dollars)	6(24)								
9750 Basic and diluted loss per share		(\$ 1.70)		(\$ 1.64)		(\$ 4.72)		(\$ 4.89)	

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
		Capital Reserves				Other Equity Interest						
								Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income				
							Financial statements translation differences of foreign operations					
Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Employee stock options	Others	Accumulated deficit				Treasury shares	Total	Non-controlling interest	Total equity
<u>Nine months ended September 30, 2021</u>												
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 period	-	-	-	-	(971,966)	-	-	-	(971,966)	(126,754)	(1,098,720)	
Other comprehensive loss for the period	-	-	-	-	-	(8,629)	(982)	-	(9,611)	-	(9,611)	
Total comprehensive loss for the period	-	-	-	-	(971,966)	(8,629)	(982)	-	(981,577)	(126,754)	(1,108,331)	
Increase in non-controlling interests 6(25)	-	-	-	-	-	-	-	-	-	473,370	473,370	
Share-based payment transactions 6(13)(15)(22)(25)	-	-	20,373	10,756	-	-	-	-	31,129	2,103	33,232	
Forfeiture of share options issued by a subsidiary 6(25)	-	-	-	1,216	-	-	-	-	1,216	(1,216)	-	
Changes in ownership interests in subsidiaries (Note) 6(25)	-	-	-	(35,125)	-	-	-	(2,415)	(37,540)	37,540	-	
Disposal of Company's share by subsidiaries recognised as treasury share transactions 6(25)	-	-	-	846	-	-	-	10,244	11,090	5,902	16,992	
Subsidiary's capital increase and issuance of new shares 6(25)	-	-	-	-	-	-	-	-	-	213,770	213,770	
Balance at September 30, 2021	\$ 1,992,794	\$ 2,206,273	\$ 1,216,801	\$ 259,774	(\$ 2,349,901)	(\$ 6,273)	(\$ 20,126)	(\$ 46,002)	\$ 3,253,340	\$ 1,213,452	\$ 4,466,792	
<u>Nine months ended September 30, 2022</u>												
Balance at January 1, 2022	\$ 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	
Net loss for the period	-	-	-	-	(1,036,171)	-	-	-	(1,036,171)	(204,332)	(1,240,503)	
Other comprehensive income (loss) for the period	-	-	-	-	-	10,215	(407)	-	9,808	(133)	9,675	
Total comprehensive income (loss) for the period	-	-	-	-	(1,036,171)	10,215	(407)	-	(1,026,363)	(204,465)	(1,230,828)	
Issuance of shares 6(14)(15)	300,000	2,850,000	-	-	-	-	-	-	3,150,000	-	3,150,000	
Increase in non-controlling interests 6(25)	-	-	-	-	-	-	-	-	-	3	3	
Share-based payment transactions 6(13)(15)(22)(25)	-	9,441	61,370	15,233	-	-	-	-	86,044	33,855	119,899	
Expiration of share options 6(13)(15)(25)	-	-	(11,971)	14,621	-	-	-	-	2,650	(2,650)	-	
Changes in ownership interests in subsidiaries (Note) 6(25)	-	-	-	233,655	-	-	-	-	233,655	436,345	670,000	
Balance at September 30, 2022	\$ 2,292,794	\$ 5,065,714	\$ 1,142,293	\$ 666,564	(\$ 3,944,793)	\$ 3,762	(\$ 18,482)	(\$ 45,990)	\$ 5,161,862	\$ 1,418,015	\$ 6,579,877	

Note: It refers to effect of not acquiring shares issued by subsidiaries in proportion to its interest.

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 1,242,751)	(\$ 1,122,278)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)	132,816	119,272
Amortisation	6(7)	46,487	44,308
Interest expense	6(20)	3,082	2,691
Interest income	6(18)	(26,711)	(4,799)
Dividend income		-	(80)
Losses (gains) on financial assets at fair value through profit or loss	6(2)	1,435	(936)
Compensation cost for share-based payment transactions	6(13)	119,899	33,232
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss	6(2)	-	382,137
Accounts receivable, net		1,883	308
Notes receivable, net		(7)	-
Inventories		(14,167)	298
Other receivables		11,659	(2,216)
Prepayments		(34,381)	(11,776)
Changes in operating liabilities			
Notes payable		4	660
Accounts payable		(198)	(138)
Other payables		(97,978)	(132,596)
Other payables to related parties		(70)	-
Other current liabilities		7,082	717
Cash outflow generated from operations		(1,091,916)	(691,196)
Interest received		15,587	5,754
Dividends received		-	80
Interest paid		(3,082)	(2,691)
Income tax (paid) received		(3,466)	16,936
Net cash flows used in operating activities		(1,082,877)	(671,117)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at amortised cost	6(4)	78,250	-
Acquisition of property, plant and equipment	6(26)	(232,478)	(137,846)
Acquisition of intangible assets	6(7)	(45,337)	(869)
Increase in prepayments for business facilities		(7,974)	(17,102)
Decrease (increase) in refundable deposits		14,036	(4,801)
Cash acquired from acquisition of subsidiaries	4(3)	-	472,651
Net cash flows (used in) from investing activities		(193,503)	312,033
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease principal	6(6)(27)	(39,795)	(36,167)
Increase in short-term borrowings	6(8)(27)	5,705	-
Repayment of long-term debt	6(9)(27)	(5,250)	(6,750)
Increase in guarantee deposits received	6(27)	3	-
Proceeds from issuance of shares	6(14)	3,150,000	-
Increase in capital and issuance of new shares by the subsidiary	6(25)	670,000	213,770
Disposal of the shares of the Company held by the subsidiary	6(25)	-	16,992
Increase in financial liabilities at fair value through profit or loss by the subsidiary	4(3)	47,625	-
Net cash flows from financing activities		3,828,288	187,845
Effect due to changes in exchange rate		10,973	(7,850)
Net increase (decrease) in cash and cash equivalents		2,562,881	(179,089)
Cash and cash equivalents at beginning of period		2,512,186	3,338,302
Cash and cash equivalents at end of period		\$ 5,075,067	\$ 3,159,213

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

OBI PHARMA, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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

1. HISTORY AND ORGANISATION

OBI PHARMA, INC. (the “Company”) was established on April 29, 2002 upon approval by the Ministry of Economic Affairs. The Company conducted the initial public offering in May 2012, and traded its shares on the Emerging Stock Market of the Taipei Exchange (formerly 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 November 4, 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 2022 are as follows:

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

(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 2023 are as

follows:

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

(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
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment 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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, these consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
 - (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 period are as follows:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	OBI Pharma Limited	Investing and trading	100.00	100.00	100.00	
The Company	OBI Pharma USA, Inc.	Biotechnology development	100.00	100.00	100.00	
The Company	AP Biosciences, Inc.	Biotechnology development	42.84	54.62	54.62	Note 1
The Company	OBI Pharma Australia Pty Ltd.	Biotechnology development	100.00	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	70.70	70.72	Note 2
The Company	Obigen Pharma, Inc.	Biotechnology development	62.17	62.17	62.17	Note 3
OBI Pharma Limited	OBI Pharma (Shanghai) Limited	Biotechnology development	100.00	100.00	100.00	
The Company	Odeon Therapeutics (Cayman) Limited	Investing and trading	77.42	-	-	Note 4
Odeon Therapeutics (Cayman) Limited	Odeon Therapeutics (Hong Kong) Limited	Investing and trading	100.00	-	-	Note 4

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. On January 22, 2021 and June 22, 2022, the Board of Directors of AP Biosciences, Inc. resolved to issue 1,808 thousand shares and 16,000 thousand shares, respectively. However, the Company did not acquire new shares in proportion to its interest. Thus, on September 30, 2021 and September 30, 2022, the shareholding ratio decreased to 54.62% and 42.84%, respectively. However, considering that the Company was still the single largest shareholder of AP Biosciences, Inc., and the Company seized more than half of board of

directors, the Company did not lose control over AP Biosciences, Inc. and was still included in the consolidated entities.

Note 2: 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%.

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: Subsequent to the approval by the Board of Directors of the Company and the Investment Commission of MOEA on September 28, 2020 and November 11, 2021, respectively, the Company and Odeon Therapeutics (Hong Kong) Limited (hereafter referred to as "Odeon Hong Kong") entered into an exclusive licensing 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. According to the agreement, Odeon Hong Kong will possess the rights to conduct clinical trials, register the licenses, and sell and provide services of OBI-833 and OBI-999 in China. The agreement also includes the right of prior purchase of intellectual property of OBI-888 (Globo H monoclonal antibody), exercisable within 2 years starting from the date the agreement was signed.

The licensing agreement provides for a payment upon 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 preferred shares from Odeon Therapeutics (Cayman) Limited (hereafter referred to as "Odeon", the parent company who owned a 100% equity interest in Odeon Hong Kong) in settlement of the payment upon signing. On March 21, 2022, Odeon issued 6,750 thousand preferred shares, of which 6,000 thousand shares were acquired by the Company, equivalent to 77.42% voting right. As such, the Company has control over Odeon hereafter.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of September 30, 2022, December 31, 2021 and September 30, 2021, the non-controlling interest amounted to \$1,418,015, \$1,154,927 and \$1,213,452, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest						Description
		September 30, 2022		December 31, 2021		September 30, 2021		
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)	
AP Biosciences, Inc.	Taiwan	\$ 698,093	57.16%	\$ 353,416	45.38%	\$ 383,678	45.38%	
Amaran Biotechnology, Inc.	Taiwan	251,666	29.30%	278,451	29.30%	287,585	29.28%	Note
Obigen Pharma, Inc.	Taiwan	469,964	37.83%	523,060	37.83%	542,189	37.83%	

Note: Shares of the Company held by subsidiaries are treated as treasury shares. Thus, the non-controlling interest as of September 30, 2022, December 31, 2021 and September 30, 2021 decreased by \$19,062, \$19,062 and \$19,050, respectively.

Summarised financial information of the subsidiaries:

Balance sheet

	AP Biosciences, Inc.		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 1,055,691	\$ 563,945	\$ 613,662
Non-current assets	253,166	289,211	301,323
Current liabilities	(39,130)	(21,149)	(12,716)
Non-current liabilities	(48,437)	(54,762)	(56,871)
Total net assets	<u>\$ 1,221,290</u>	<u>\$ 777,245</u>	<u>\$ 845,398</u>

	Amaran Biotechnology Inc.		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 158,418	\$ 260,693	\$ 305,273
Non-current assets	696,460	744,577	683,418
Current liabilities	(33,388)	(82,062)	(34,126)
Non-current liabilities	(86,085)	(90,465)	(91,091)
Total net assets	<u>\$ 735,405</u>	<u>\$ 832,743</u>	<u>\$ 863,474</u>

	Obigen Pharma, Inc.		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 216,278	\$ 459,589	\$ 547,412
Non-current assets	1,082,334	994,201	960,068
Current liabilities	(9,545)	(12,804)	(13,449)
Non-current liabilities	(51,381)	(56,416)	(58,083)
Total net assets	<u>\$ 1,237,686</u>	<u>\$ 1,384,570</u>	<u>\$ 1,435,948</u>

Statement of comprehensive income

	AP Biosciences, Inc.	
	Three months ended September 30,	
	2022	2021
Revenue	\$ -	\$ -
Loss before tax	(71,021)	(56,107)
Income tax benefit	2,108	2,108
Loss for the period	(68,913)	(53,999)
Other comprehensive loss	-	-
Total comprehensive loss for the period	<u>(\$ 68,913)</u>	<u>(\$ 53,999)</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 31,276)</u>	<u>(\$ 24,507)</u>

	AP Biosciences, Inc.	
	Nine months ended September 30,	
	2022	2021
Revenue	\$ -	6993
Loss before tax	(254,514)	(158,160)
Income tax benefit	6,325	6,325
Loss for the period	(248,189)	(151,835)
Other comprehensive loss	-	-
Total comprehensive loss for the period	<u>(\$ 248,189)</u>	<u>(\$ 151,835)</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 112,639)</u>	<u>(\$ 68,297)</u>

	Amaran Biotechnology Inc.	
	Three months ended September 30,	
	2022	2021
Revenue	\$ 5,022	\$ 14,725
Loss before tax	(53,236)	(29,742)
Income tax benefit	-	-
Loss for the period	(53,236)	(29,742)
Other comprehensive loss	-	-
Total comprehensive loss for the period	(\$ 53,236)	(\$ 29,742)
Comprehensive loss attributable to non-controlling interest	(\$ 12,033)	(\$ 7,408)

	Amaran Biotechnology Inc.	
	Nine months ended September 30,	
	2022	2021
Revenue	\$ 32,929	\$ 26,650
Loss before tax	(127,261)	(100,917)
Income tax benefit	-	-
Loss for the period	(127,261)	(100,917)
Other comprehensive loss	-	-
Total comprehensive loss for the period	(\$ 127,261)	(\$ 100,917)
Comprehensive loss attributable to non-controlling interest	(\$ 31,462)	(\$ 27,276)

	Obigen Pharma, Inc.	
	Three months ended September 30,	
	2022	2021
Revenue	\$ -	\$ -
Loss before tax	(58,693)	(42,057)
Income tax benefit	-	-
Loss for the period	(58,693)	(42,057)
Other comprehensive loss	-	-
Total comprehensive loss for the period	(\$ 58,693)	(\$ 42,057)
Comprehensive loss attributable to non-controlling interest	(\$ 22,205)	(\$ 15,910)

	Obigen Pharma, Inc.	
	Nine months ended September 30,	
	2022	2021
Revenue	\$ -	\$ -
Loss before tax	(155,039)	(82,422)
Income tax benefit	-	-
Loss for the period	(155,039)	(82,422)
Other comprehensive loss	-	-
Total comprehensive loss for the period	(\$ 155,039)	(\$ 82,422)
Comprehensive loss attributable to non-controlling interest	(\$ 58,654)	(\$ 31,181)

Statements of cash flows

		AP Biosciences, Inc.	
		Nine months ended September 30,	
		2022	2021
Net cash used in operating activities	(\$	213,120)	(\$ 118,667)
Net cash used in investing activities	(	2,367)	(4,048)
Net cash provided by financing activities		670,000	100,000
Net increase (decrease) in cash and cash equivalents		454,513	(22,715)
Cash and cash equivalents at beginning of period		527,121	630,724
Cash and cash equivalents at end of period	\$	981,634	\$ 608,009

		Amaran Biotechnology Inc.	
		Nine months ended September 30,	
		2022	2021
Net cash used in operating activities	(\$	53,036)	(\$ 38,181)
Net cash provided by (used in) investing activities		44,269	(96,390)
Net cash provided by financing activities		3,785	300,000
Net (decrease) increase in cash and cash equivalents	(	4,982)	165,429
Cash and cash equivalents at beginning of period		131,557	114,918
Cash and cash equivalents at end of period	\$	126,575	\$ 280,347

		Obigen Pharma, Inc.	
		Nine months ended September 30,	
		2022	2021
Net cash used in operating activities	(\$	80,152)	(\$ 51,828)
Net cash used in investing activities	(	168,231)	(22,235)
Net cash (used in) provided by financing activities	(	4,958)	255,820
Net (decrease) increase in cash and cash equivalents	(	253,341)	181,757
Cash and cash equivalents at beginning of period		407,597	317,550
Cash and cash equivalents at end of period	\$	154,256	\$ 499,307

(4) Foreign currency translation

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

Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise, they are classified as non-current assets.

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

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

Otherwise, they are classified as non-current liabilities.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at 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 and notes 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 and notes 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 costs of completion and the estimated costs necessary to make the sale.

(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	1~8 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 3 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) Notes and accounts payable

Accounts payable from purchasing raw materials, goods or service on credit, and notes payable from operating and non-operating factors, 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 and notes payable without bearing interest are subsequently measured at transaction amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:
 - (a) Hybrid (combined) contracts; or
 - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these

financial liabilities at fair value with any gain or loss recognised in profit or loss.

- C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(21) Derecognition of financial liabilities

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

(22) 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.

(23) 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.

(24) Income tax

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

items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures, to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(25) 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.

(26) 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.

(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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand	\$ 212	\$ 224	\$ 262
Checking accounts and demand deposits	1,147,892	1,097,103	1,257,547
Time deposits	3,926,963	1,414,859	1,901,404
	<u>\$ 5,075,067</u>	<u>\$ 2,512,186</u>	<u>\$ 3,159,213</u>

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

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

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

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current item:			
Financial assets mandatorily measured at fair value			
Foreign listed stocks	\$ 1,394	\$ 1,394	\$ 1,394
Valuation adjustment	(1,062)	373	936
	<u>\$ 332</u>	<u>\$ 1,767</u>	<u>\$ 2,330</u>

A. The Group recognised a (loss) gain (including gain (loss) on disposals of investments) of (\$211), \$662, (\$1,435) and \$20,592 on financial assets at fair value through profit or loss for the three months and nine months ended September 30, 2022 and 2021, 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

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Non-current item:			
Unlisted stocks	\$ 27,181	\$ 27,181	\$ 27,181
Valuation adjustment	(18,482)	(18,075)	(20,126)
	<u>\$ 8,699</u>	<u>\$ 9,106</u>	<u>\$ 7,055</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$8,699, \$9,106 and \$7,055 as at September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value

through other comprehensive income are listed below:

	Three months ended September 30,	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 824	(\$ 1,459)
	Nine months ended September 30,	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 407)	(\$ 982)

- C. As at September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$8,699, \$9,106 and \$7,055, 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

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Time deposits	\$ 61,750	\$ 140,000	\$ -

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

	Three months ended September 30,	
	2022	2021
Interest income	\$ 173	\$ -
	Nine months ended September 30,	
	2022	2021
Interest income	\$ 522	\$ -

- B. As at September 30, 2022, December 31, 2021 and September 30, 2021, 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 \$61,750, \$140,000 and \$0, respectively.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(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
<u>At January 1, 2022</u>									
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)
	<u>\$ 87,514</u>	<u>\$ 237,089</u>	<u>\$ 109,502</u>	<u>\$ 73,357</u>	<u>\$ 8,103</u>	<u>\$ 481</u>	<u>\$ 14,378</u>	<u>\$ 368,454</u>	<u>\$ 898,878</u>
<u>2022</u>									
At January 1	\$ 87,514	\$ 237,089	\$ 109,502	\$ 73,357	\$ 8,103	\$ 481	\$ 14,378	\$ 368,454	\$ 898,878
Additions	-	255	5,870	87,890	2,097	422	54,561	18,922	170,017
Reclassifications (Note 1)	-	40,482	226,611	32,100	179	181	65,946	(349,937)	15,562
Depreciation	-	(10,749)	(27,596)	(37,424)	(2,756)	(157)	(13,156)	-	(91,838)
Net exchange differences	-	-	-	1	3	-	66	-	70
At September 30	<u>\$ 87,514</u>	<u>\$ 267,077</u>	<u>\$ 314,387</u>	<u>\$ 155,924</u>	<u>\$ 7,626</u>	<u>\$ 927</u>	<u>\$ 121,795</u>	<u>\$ 37,439</u>	<u>\$ 992,689</u>
<u>At September 30, 2022</u>									
Cost	\$ 87,514	\$ 370,019	\$ 524,748	\$ 458,151	\$ 41,546	\$ 1,773	\$ 186,525	\$ 37,439	\$ 1,707,715
Accumulated depreciation	-	(102,942)	(210,361)	(302,227)	(33,920)	(846)	(64,730)	-	(715,026)
	<u>\$ 87,514</u>	<u>\$ 267,077</u>	<u>\$ 314,387</u>	<u>\$ 155,924</u>	<u>\$ 7,626</u>	<u>\$ 927</u>	<u>\$ 121,795</u>	<u>\$ 37,439</u>	<u>\$ 992,689</u>

	Land	Buildings and structures	Machinery and equipment	Lab equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2021</u>									
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)
	<u>\$ 87,514</u>	<u>\$ 249,871</u>	<u>\$ 139,723</u>	<u>\$ 108,302</u>	<u>\$ 5,881</u>	<u>\$ -</u>	<u>\$ 22,536</u>	<u>\$ 117,366</u>	<u>\$ 731,193</u>
<u>2021</u>									
At January 1	\$ 87,514	\$ 249,871	\$ 139,723	\$ 108,302	\$ 5,881	\$ -	\$ 22,536	\$ 117,366	\$ 731,193
Additions	-	625	110	21,342	3,736	-	2,442	106,173	134,428
Reclassifications (Note 1)	-	-	-	3,304	225	-	357	11,033	14,919
Depreciation	-	(10,050)	(23,054)	(38,215)	(2,023)	-	(8,040)	-	(81,382)
Net exchange differences	-	-	-	-	(2)	-	(63)	-	(65)
At September 30	<u>\$ 87,514</u>	<u>\$ 240,446</u>	<u>\$ 116,779</u>	<u>\$ 94,733</u>	<u>\$ 7,817</u>	<u>\$ -</u>	<u>\$ 17,232</u>	<u>\$ 234,572</u>	<u>\$ 799,093</u>
<u>At September 30, 2021</u>									
Cost	\$ 87,514	\$ 329,282	\$ 292,017	\$ 353,779	\$ 38,590	\$ 664	\$ 65,804	\$ 234,572	\$ 1,402,222
Accumulated depreciation	-	(88,836)	(175,238)	(259,046)	(30,773)	(664)	(48,572)	-	(603,129)
	<u>\$ 87,514</u>	<u>\$ 240,446</u>	<u>\$ 116,779</u>	<u>\$ 94,733</u>	<u>\$ 7,817</u>	<u>\$ -</u>	<u>\$ 17,232</u>	<u>\$ 234,572</u>	<u>\$ 799,093</u>

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

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

Note 3: Refer to Note 6(26).

Note 4: The Group’s lab equipment, office equipment and leasehold improvements have been fully depreciated and derecognised. Therefore, for the nine months ended September 30, 2022 and 2021, cost and accumulated depreciation of property, plant and equipment both decreased by \$225 and \$49,752, respectively.

(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:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land use right	\$ 87,688	\$ 92,527	\$ 93,273
Buildings	119,150	157,614	159,996
	<u>\$ 206,838</u>	<u>\$ 250,141</u>	<u>\$ 253,269</u>

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land use right	\$ 724	\$ 746
Buildings	12,942	12,848
	<u>\$ 13,666</u>	<u>\$ 13,594</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land use right	\$ 2,202	\$ 2,238
Buildings	38,776	35,652
	<u>\$ 40,978</u>	<u>\$ 37,890</u>

- D. The Group has recognised additions to right-of-use assets of \$0, \$48,868, \$0 and \$104,321 for the three months and nine months ended September 30, 2022 and 2021, respectively.
- E. For the first three quarters of 2022, the Group recognised a decrease in right-of-use assets and lease liabilities both in the amount of \$2,657 after remeasurement of lease liabilities due to lease modification. The Group had no such transactions during the first three quarters of 2021.

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

	Three months ended September 30,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 914	\$ 939
Expense on short-term lease contracts	2,385	2,515
Expense on leases of low-value assets	135	110
	Nine months ended September 30,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,698	\$ 2,293
Expense on short-term lease contracts	6,753	6,680
Expense on leases of low-value assets	340	298

G. For the nine months ended September 30, 2022 and 2021, the Group's total cash outflow for leases were \$49,586 (of which \$39,795 represents principal of lease liabilities) and \$45,438 (of which \$36,167 represents principal of lease liabilities), respectively.

H. 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	Trademarks	Software	Goodwill	Total
	OBI-858 Product development project of botulinum	OBI-833 Next- generation cancer vaccine	OBI-3424 AKRIC3 enzyme prodrug	Trop 2 monoclonal antibody	Bifunctional fusion protein for age-related mascular degeneration	Bispecific monoclonal antibody	Antibody- drug development platform				
<u>At January 1, 2022</u>											
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)
	<u>\$ 714</u>	<u>\$ 162</u>	<u>\$ 51,393</u>	<u>\$ -</u>	<u>\$ 57,744</u>	<u>\$ 163,161</u>	<u>\$ 57,986</u>	<u>\$ 1,403</u>	<u>\$ 4,573</u>	<u>\$ 61,148</u>	<u>\$ 398,284</u>
<u>2022</u>											
At January 1	\$ 714	\$ 162	\$ 51,393	\$ -	\$ 57,744	\$ 163,161	\$ 57,986	\$ 1,403	\$ 4,573	\$ 61,148	\$ 398,284
Additions	-	-	-	41,648	-	-	-	-	3,688	-	45,336
Reclassifications	-	-	-	-	-	-	-	-	35	-	35
Amortisation	(714)	(112)	(6,802)	(3,124)	(4,367)	(20,395)	(7,248)	(136)	(3,589)	-	(46,487)
At September 30	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 44,591</u>	<u>\$ 38,524</u>	<u>\$ 53,377</u>	<u>\$ 142,766</u>	<u>\$ 50,738</u>	<u>\$ 1,267</u>	<u>\$ 4,707</u>	<u>\$ 61,148</u>	<u>\$ 397,168</u>
<u>At September 30, 2022</u>											
Cost	\$ 42,858	\$ 1,500	\$ 90,693	\$ 41,648	\$ 81,037	\$ 271,933	\$ 96,644	\$ 1,815	\$ 8,902	\$ 61,148	\$ 698,178
Accumulated amortisation	(42,858)	(1,450)	(46,102)	(3,124)	(27,660)	(129,167)	(45,906)	(548)	(4,195)	-	(301,010)
	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 44,591</u>	<u>\$ 38,524</u>	<u>\$ 53,377</u>	<u>\$ 142,766</u>	<u>\$ 50,738</u>	<u>\$ 1,267</u>	<u>\$ 4,707</u>	<u>\$ 61,148</u>	<u>\$ 397,168</u>

Note: The reclassifications resulted from a transfer from prepayments for business facilities (shown as ‘other non-current asset’) to intangible assets.

	Patent					Patented technology					
	OBI-858 Product development project of botulinum	OBI-833 Next- generation cancer vaccine	OBI-3424 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)	
	<u>\$ 5,000</u>	<u>\$ 312</u>	<u>\$ 60,462</u>	<u>\$ 63,567</u>	<u>\$ 190,354</u>	<u>\$ 67,651</u>	<u>\$ 1,584</u>	<u>\$ 3,803</u>	<u>\$ 61,148</u>	<u>\$ 453,881</u>	
2021											
At January 1	\$ 5,000	\$ 312	\$ 60,462	\$ 63,567	\$ 190,354	\$ 67,651	\$ 1,584	\$ 3,803	\$ 61,148	\$ 453,881	
Additions	-	-	-	-	-	-	-	869	-	869	
Amortisation	(3,214)	(112)	(6,802)	(4,367)	(20,396)	(7,248)	(136)	(2,033)	-	(44,308)	
At September 30	<u>\$ 1,786</u>	<u>\$ 200</u>	<u>\$ 53,660</u>	<u>\$ 59,200</u>	<u>\$ 169,958</u>	<u>\$ 60,403</u>	<u>\$ 1,448</u>	<u>\$ 2,639</u>	<u>\$ 61,148</u>	<u>\$ 410,442</u>	
At September 30, 2021											
Cost	\$ 42,858	\$ 1,500	\$ 90,693	\$ 81,037	\$ 271,933	\$ 96,644	\$ 1,815	\$ 6,542	\$ 61,148	\$ 654,170	
Accumulated amortisation	(41,072)	(1,300)	(37,033)	(21,837)	(101,975)	(36,241)	(367)	(3,903)	-	(243,728)	
	<u>\$ 1,786</u>	<u>\$ 200</u>	<u>\$ 53,660</u>	<u>\$ 59,200</u>	<u>\$ 169,958</u>	<u>\$ 60,403</u>	<u>\$ 1,448</u>	<u>\$ 2,639</u>	<u>\$ 61,148</u>	<u>\$ 410,442</u>	

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

	Three months ended September 30,	
	2022	2021
Administrative expenses	\$ 683	\$ 465
Research and development expenses	14,660	14,301
	<u>\$ 15,343</u>	<u>\$ 14,766</u>
	Nine months ended September 30,	
	2022	2021
Administrative expenses	\$ 2,069	\$ 1,403
Research and development expenses	44,418	42,905
	<u>\$ 46,487</u>	<u>\$ 44,308</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
AP Biosciences, Inc.	<u>\$ 61,148</u>	<u>\$ 61,148</u>	<u>\$ 61,148</u>

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 three months and nine months ended September 30, 2022 and 2021, the Company recognised the aforementioned royalty income of \$502, \$432, \$1,494 and \$1,151, respectively.

- (d) The Company needs to pay the achieved milestones. As of September 30, 2022, the remaining unpaid amount was US\$9 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 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.
- E. On May 31, 2017, the Company entered into an agreement with Threshold Pharmaceuticals, Inc. to acquire the global IP right (excluding Mainland China, Hong Kong, Macao, Taiwan, Japan, South Korea, Singapore, Malaysia, Thailand, Turkey and India) and patent regarding the innovative micromolecule drug TH-3424, which was then renamed OBI-3424.
- F. 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.
- G. 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 includes global exclusive right, except for 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.
- H. The Group has no intangible assets pledged to others.

(8) Short-term borrowings

Type of borrowings	September 30, 2022	Interest rate	Collateral
Bank borrowings			
Secured borrowings			Buildings located at No. 19, Shengyi 5th Rd., Zhubei City, Hsinchu County
	\$ <u>5,705</u>	1.59%~1.72%	

Type of borrowings	September 30, 2021	Interest rate	Collateral
Bank borrowings			
Secured borrowings			Buildings located at No. 01410-000 and 01410-001, Shixing Section, Zhubei City
	\$ 9,468	1.20%	

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	September 30, 2022	December 31, 2021	September 30, 2021
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	\$ 29,750	\$ 35,000	\$ 36,750
Unsecured borrowings	Borrowing period is from October 5, 2016 to October 5, 2021; interest is payable monthly (Note 1)	Note 3	None			
				-	-	500
				29,750	35,000	37,250
Less: Current portion				(7,000)	(7,000)	(8,000)
				<u>\$ 22,750</u>	<u>\$ 28,000</u>	<u>\$ 29,250</u>

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

Note 2: Refer to Note 8 for details.

Note 3: It was calculated based on 3-month adjustable rates for consumer loans plus 0.53% annual rate. As of September 30, 2022, December 31, 2021 and September 30, 2021, the interest rates were 1.74%, 1.33% and 1.33%, respectively.

(10) Other payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accrued clinical trials cost	\$ -	\$ 115,754	\$ 426
Payable on equipment	3,914	66,321	9,604
Accrued consulting and service fee	8,149	10,742	4,950
Outsourced research expenses payable	34,536	17,595	-
Accrued clinical materials expense	847	18,291	-
Wages and salaries payable	14,133	15,437	9,664
Accrued royalties	25,400	-	-
Others	17,372	20,650	29,117
	<u>\$ 104,351</u>	<u>\$ 264,790</u>	<u>\$ 53,761</u>

(11) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>September 30, 2022</u>
Non-current items:	
Financial liabilities designated as at fair value through profit or loss	
Hybrid instrument - convertible preferred shares	<u>\$ 47,625</u>

- A. As of December 31, 2021 and September 30, 2021, the Group has no financial liabilities at fair value through profit or loss.
- B. For the nine months ended September 30, 2022, no amount was recognised in profit or loss and other comprehensive income in relation to financial liabilities at fair value through profit or loss. For the nine months ended September 30, 2021, the Group has no financial liabilities at fair value through profit or loss.
- C. The issuance of convertible preferred shares by the Group's subsidiary - Odeon Therapeutics (Cayman) Limited (hereafter referred to as "Odeon") amounting to \$47,625 was recognised under 'financial liabilities designated as at fair value through profit or loss on initial recognition' due to their compound instrument feature.
- D. For the nine months ended September 30, 2022, there were no changes in fair value, nor changes in fair value attributable to the changes in credit risk of the liabilities. For the nine months ended September 30, 2021, the Group has no financial liabilities at fair value through profit or loss.
- E. The terms of the convertible preferred shares issued by Odeon are as follows:
- (a) Conversion:
- The holders of preferred shares may convert their preferred shares, at any time, into ordinary shares;
 - All of the preferred shares will be automatically converted into ordinary shares upon the completion of the Qualified IPO (Note);

- iii. The initial conversion price shall be 1:1, subject to adjustment as provided below:
 - a. If the number of outstanding ordinary shares proportionally changes as a result of stock dividends, stock splits, reorganisation, etc., the number of preferred shares to be converted into ordinary shares shall be adjusted proportionally;
 - b. When the price of new shares issued by Odeon is lower than the issue price of preferred shares, the conversion price shall be adjusted according to a specific formula.

(b) Dividends:

The holders of preferred shares shall be entitled to receive in preference a non-cumulative dividend at the rate of 8% when the dividend is declared. After dividends on preferred shares have been distributed, the holders of preferred shares also shall be entitled to receive pro rata share of dividends paid to ordinary shares on an as-converted basis.

(c) Liquidation preference:

The holders of preferred shares shall be entitled to receive in preference its original purchase price plus dividends declared but unpaid, and the residual assets are distributed in proportion to the number of ordinary shares on an as-converted basis.

(d) Redemption:

In the event of the following circumstances, the holders of preferred shares have priority over ordinary shares to request the entity to redeem shares at the original purchase price plus a simple interest of 10% per annum. The calculation period is from the original purchase date to the redemption date. Dividends declared but unpaid are calculated separately:

- i. If the Qualified IPO (Note) has not been consummated within five years since the first round of fundraising;
- ii. If any contracting party fails to fulfill its obligations under the investment contract, which results in a significant adverse impact on the entity or the holders of preferred shares;
- iii. If any contracting party has misconduct of misrepresentation and concealment, which results in a significant adverse impact on the entity or the holders of preferred shares;
- iv. If a redemption is requested by the holders of preferred shares as a result of any of the above circumstances and the number of redeemed shares accounts for 20% and above of the outstanding preferred shares, all the holders of preferred shares have the right to exercise their redemption rights (non-mandatory) from the entity.

(e) Voting right:

The voting rights of ordinary shares converted from preferred shares are the same as ordinary shares. Each share is 1 vote.

Note: The above Qualified IPO means a first firm commitment underwritten public offering of the ordinary shares of the Odeon on the New York Stock Exchange, NASDAQ, Hong Kong Exchanges and Clearing or any international stock exchange approved by the Board of Directors. The offering price per share shall be 3 times more than the

share price of preferred shares, or the amount raised through the initial public offering is USD 50 million and above.

(12) Pension

- A. The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2022 and 2021 were \$3,713, \$3,257, \$10,993 and \$9,228, respectively.
- B. OBI Pharma Australia Pty Ltd. and OBI Pharma Limited were not required to set up a policy for employee pension plans. OBI Pharma (Shanghai) Limited, Odeon Therapeutics (Cayman) Limited and Odeon Therapeutics (Hong Kong) Limited did not have any employees and thus did not recognise pension costs. For the pension plan based on local government regulations, OBI Pharma USA, Inc. recognised pension costs of \$1,151, \$1,396, \$3,752 and \$3,968 for the three months and nine months ended September 30, 2022 and 2021, respectively.

(13) 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)	2013.11.27	1,821,000	1	After two years of service, employees can exercise options at a certain percentage based on the schedule	1.16
"	2014.02.21	1,744,000	1	"	1.39
"	2014.03.26	575,000	1	"	1.49
"	2015.05.06	2,861,000	1	"	2.60
"	2015.08.04	75,000	1	"	2.84
"	2015.11.06	353,000	1	"	3.10
"	2015.12.15	13,000	1	"	3.21
"	2016.03.25	1,377,000	1	"	3.48
"	2017.03.09	3,145,000	1	"	4.44
"	2017.05.12	20,000	1	"	4.61
"	2017.08.11	20,000	1	"	4.86
"	2017.11.10	130,000	1	"	5.11
"	2018.01.19	1,685,000	1	"	5.30
"	2019.09.06	1,125,000	1	"	6.93
"	2019.11.08	385,000	1	"	7.11
"	2020.08.05	510,000	1	"	7.85
"	2021.11.05	3,859,000	1	"	9.10
"	2022.03.18	320,000	1	"	9.46
"	2022.05.06	143,000	1	"	9.60
"	2022.08.08	639,000	1	"	9.86
Cash capital increase reserved for employee preemption (Note)	2022.03.01	2,433,100	1	Vested immediately	-

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	After one year of service, employees can exercise options at a certain percentage based on the schedule	1.29
"	2014.05.02	310	1,000	"	1.58
"	2014.09.03	270	1,000	"	1.92
"	2015.02.12	255	1,000	"	2.36
"	2015.05.27	300	1,000	"	2.65
"	2015.09.09	70	1,000	"	2.93
"	2015.12.15	235	1,000	"	3.20
"	2016.03.02	2,382	1,000	"	3.41
"	2016.09.02	45	1,000	"	3.92
"	2017.01.01	179	1,000	"	4.25
"	2017.04.01	34	1,000	"	4.50
"	2017.06.01	60	1,000	"	4.66
"	2018.03.23	1,090	1,000	"	5.47
"	2018.09.18	60	1,000	"	5.96
"	2019.01.01	65	1,000	"	6.25
"	2019.03.01	65	1,000	"	6.41
"	2019.10.01	210	1,000	"	7.00
"	2020.04.01	250	1,000	"	7.50
"	2020.05.01	120	1,000	"	7.58
"	2021.07.01	110	1,000	"	8.75
"	2021.08.01	115	1,000	"	8.84
"	2021.09.01	15	1,000	"	8.92
"	2021.10.01	1,139	1,000	"	9.00
"	2022.04.01	135	1,000	"	9.50
"	2022.05.01	60	1,000	"	9.58
"	2022.06.01	15	1,000	"	9.66

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	After two years of service, employees can exercise options at a certain percentage based on the schedule	9.20
"	2022.03.23	163,000	1	"	9.47

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	After two years of service, employees can exercise options at a certain percentage based on the schedule	9.21
"	2022.08.23	151,000	1	"	9.89

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:

	Nine months ended September 30,			
	2022		2021	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	12,725,314	\$ 206.34	9,954,335	\$ 251.81
Options granted	1,102,000	92.37	-	-
Options exercised	-	-	-	-
Options forfeited or expired	(920,441)	199.74	(676,249)	308.41
Options outstanding at end of the period	<u>12,906,873</u>	183.71	<u>9,278,086</u>	249.76
Options exercisable at end of the period	<u>7,884,391</u>		<u>7,883,144</u>	
Options authorised but not granted at end of the period	<u>-</u>		<u>5,000,000</u>	

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

	Nine months ended September 30,			
	2022		2021	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	4,336	\$ 36.57	3,230	\$ 41.58
Options granted	210	25.00	240	25.00
Options exercised	-	-	-	-
Options forfeited or expired	(774)	35.79	(223)	40.70
Options outstanding at end of the period	<u>3,772</u>	36.09	<u>3,247</u>	40.41
Options exercisable at end of the period	<u>2,424</u>		<u>2,667</u>	
Options authorised but not granted at end of the period	<u>41</u>		<u>1,390</u>	

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

	Nine months ended September 30, 2022	
	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	1,568,000	\$ 20.00
Options granted	163,000	20.00
Options exercised	-	-
Options forfeited or expired	(302,000)	20.00
Options outstanding at end of the period	<u>1,429,000</u>	20.00
Options exercisable at end of the period	<u>-</u>	
Options authorised but not granted at end of the period	<u>1,269,000</u>	

No stock option was granted during the period from February 23, 2021 to September 30, 2021.

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

	Nine months ended September 30, 2022	
	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	2,286,000	\$ 55.00
Options granted	151,000	27.50
Options exercised	-	-
Options forfeited or expired	(40,000)	27.50
Options outstanding at end of the period	<u>2,397,000</u>	27.50
Options exercisable at end of the period	<u>-</u>	
Options authorised but not granted at end of the period	<u>-</u>	

No stock option was granted during the nine months ended September 30, 2021.

- C. The Company and the subsidiaries, Amaran Biotechnology Inc., Obigen Pharma, Inc. and AP Biosciences, Inc., have no stock option exercised for the nine months ended September 30, 2022 and 2021.
- D. As of September 30, 2022, December 31, 2021 and September 30, 2021, the range of exercise prices of the Company's stock options outstanding were \$79~\$575.3 (in dollars), \$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 September 30, 2022 and December 31, 2021, the exercise price of the subsidiary's, Obigen Pharma, Inc.,

stock options outstanding was \$20 (in dollars), respectively. The exercise prices of the subsidiary's, AP Biosciences, Inc., stock options outstanding were \$27.5 (in dollars) and \$55 (in dollars), respectively. As of September 30, 2021, 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	2013.11.27	\$ 255.6	\$ 215.8	49.72%	6.375 years	0%	1.44%	\$ 128.42
"	2014.02.21	231.4	191.1	47.62%	6.375 years	0%	1.34%	114.80
"	2014.03.26	215.0	201.0	46.54%	6.375 years	0%	1.38%	97.07
"	2015.05.06	334.0	280.7	44.46%	6.375 years	0%	1.33%	150.18
"	2015.08.04	283.0	242.5	43.90%	6.375 years	0%	1.21%	125.27
"	2015.11.06	422.0	346.7	44.11%	6.375 years	0%	1.01%	186.00
"	2015.12.15	727.0	575.3	45.44%	6.375 years	0%	0.99%	328.28
"	2016.03.25	420.0	345.2	47.70%	6.375 years	0%	0.72%	195.43
"	2017.03.09	326.0	313.9	50.01%	6.375 years	0%	1.11%	159.90
"	2017.05.12	261.0	251.3	49.51%	6.375 years	0%	0.96%	126.34
"	2017.08.11	191.0	183.9	48.61%	6.375 years	0%	0.82%	90.60
"	2017.11.10	169.0	162.7	48.44%	6.375 years	0%	0.81%	79.91
"	2018.01.19	170.5	164.2	48.61%	6.375 years	0%	0.88%	81.04
"	2019.09.06	144.0	140.5	45.65%	6.375 years	0%	0.62%	64.29
"	2019.11.08	131.0	127.8	45.03%	6.375 years	0%	0.65%	57.88
"	2020.08.05	120.0	117.1	45.37%	6.375 years	0%	0.37%	52.76
"	2021.11.05	108.0	105.4	45.03%	6.375 years	0%	0.45%	47.33
"	2022.03.18	110.0	107.4	44.11%	6.375 years	0%	0.79%	48.06
"	2022.05.06	118.5	118.5	43.61%	6.375 years	0%	1.17%	52.11
"	2022.08.08	79.0	79.0	43.15%	6.375 years	0%	1.10%	34.33
Cash capital increase reserved for employee preemption	2022.03.01	115.0	105.0	54.48%	0.050 years	0%	0.34%	11.78

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	50.0	42.87%	10 years	0%	0.93%	12.80
"	2015.12.15	31.5	50.0	42.87%	10 years	0%	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	35.6	70.0	42.31%	10 years	0%	0.78%	15.33
"	2017.04.01	35.6	70.0	42.31%	10 years	0%	0.78%	15.33
"	2017.06.01	35.6	70.0	42.31%	10 years	0%	0.78%	15.33
"	2018.03.23	25.0	25.0	27.45%	10 years	0%	0.70%	4.04
"	2018.09.18	25.0	25.0	27.45%	10 years	0%	0.70%	4.04
"	2019.01.01	24.8	25.0	33.75%	6.25 years	0%	0.77%	8.46
"	2019.03.01	21.9	25.0	33.51%	6.25 years	0%	0.73%	6.44
"	2019.10.01	20.9	25.0	32.32%	6.25 years	0%	0.65%	5.59
"	2020.04.01	24.4	25.0	38.05%	6.25 years	0%	0.44%	8.94
"	2020.05.01	20.4	25.0	38.39%	6.25 years	0%	0.44%	6.47
"	2021.07.01	23.0	25.0	46.15%	6.25 years	0%	0.35%	9.58
"	2021.08.01	23.0	25.0	46.15%	6.25 years	0%	0.35%	9.58
"	2021.09.01	23.0	25.0	46.15%	6.25 years	0%	0.35%	9.58
"	2021.10.01	23.0	25.0	46.15%	6.25 years	0%	0.35%	9.58
"	2022.04.01	23.7	25.0	45.62%	6.25 years	0%	0.95%	10.22
"	2022.05.01	23.7	25.0	45.62%	6.25 years	0%	0.95%	10.22
"	2022.06.01	23.7	25.0	45.62%	6.25 years	0%	0.95%	10.22

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	47.29%	6.375 years	0%	0.49%	\$ 9.70
"	2022.03.23	23.9	20.0	47.20%	6.375 years	0%	0.91%	12.25

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
"	2022.08.23	27.6	27.5	82.88%	6.38 years	0%	1.17%	19.75

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

F. For the three months and nine months ended September 30, 2022 and 2021, the Group recognised employee stock option plan compensation expense of \$32,344, \$10,503, \$119,899 and \$33,232, respectively.

G. On May 21, 2022, AP Biosciences, Inc. decreased the exercise price of employee stock options issued on December 16, 2021 from \$55 (in dollars) to \$27.5 (in dollars), in accordance with the terms of employee stock options. The modification came from capitalisation of capital surplus of AP Biosciences, Inc., and the stock options did not generate incremental fair value.

(14) Share capital

A. As of September 30, 2022, 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 \$2,292,794 with a par value of \$10 (in dollars) per share.

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

(Unit: shares in thousands)

	2022	2021
At January 1	198,948	198,892
Cash capital increase	30,000	-
Shares of the parent company sold by subsidiaries	-	74
Treasury shares arising from changes in shareholding ratio of subsidiaries	-	(18)
At September 30	228,948	198,948

B. Treasury stock:

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

Reason for reacquisition	Nine months ended September 30, 2022				Carrying amount
	Beginning shares	Additions	Disposal	Ending shares	
Shares of the parent company held by subsidiaries treated as treasury shares (Note)	331 thousand shares	-	-	331 thousand shares	\$ <u>45,990</u>

Reason for reacquisition	Nine months ended September 30, 2021				Carrying amount
	Beginning shares	Additions	Disposal	Ending shares	
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	\$ <u>46,002</u>

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 Company's shareholding ratio to subsidiaries.

- (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.

(15) 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.

	2022		
	Share premium	Employee stock options	Others
At January 1	\$ 2,206,273	\$ 1,092,894	\$ 403,055
Cash capital increase	2,850,000	-	-
Employee stock options compensation cost	9,441	61,370	15,233
Expiration of employee stock options	-	(11,971)	14,621
Changes in ownership interests in subsidiaries	-	-	233,655
At September 30	<u>\$ 5,065,714</u>	<u>\$ 1,142,293</u>	<u>\$ 666,564</u>
	2021		
	Share premium	Employee stock options	Others
At January 1	\$ 2,206,273	\$ 1,196,428	\$ 282,081
Treasury share transactions	-	-	846
Employee stock options compensation cost	-	20,373	10,756
Expiration of employee stock options	-	-	1,216
Changes in ownership interests in subsidiaries	-	-	(35,125)
At September 30	<u>\$ 2,206,273</u>	<u>\$ 1,216,801</u>	<u>\$ 259,774</u>

(16) Retained earnings

- A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Cash dividends shall first be appropriated, and the remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. The Company is facing a capital intensive industrial environment, with the life cycle of the industry in the growth phase. The residual dividend policy is adopted taking into consideration the Company's operating expansion plans and investment demands. According to the balanced dividend policy adopted by the Board of Directors, stock dividends and cash dividends will be allocated in consideration of the actual net income and funds status and are subject to the approval by the Board of Directors and resolution by shareholders and cash dividends shall account for at least 10% of the total dividends distributed.
- C. Except for covering accumulated deficit, increasing capital or payment of cash, the legal reserve shall not be used for any other purpose. The amount capitalised or the cash payment shall not exceed 25% of the paid-in capital.

D. As resolved by the shareholders on June 27, 2022 and July 16, 2021, the Company's 2021 and 2020 proposal for deficit compensation, respectively, were 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)

	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.

(17) Operating revenue

Disaggregation of revenue from contracts with customers is as follows:

	Three months ended September 30,	
	2022	2021
Revenue from contracts with customers	\$ 1,075	\$ 2,786

	Nine months ended September 30,	
	2022	2021
Revenue from contracts with customers	\$ 4,204	\$ 16,262

Disaggregation of revenue from contracts with customers is as follows:

Three months ended September 30, 2022	Sales of materials	Service provision	Patent licensing	Total
Revenue from external customer contracts				
Contract revenue	\$ -	\$ 573	\$ 502	\$ 1,075

Three months ended September 30, 2021	Sales of materials	Service provision	Patent licensing	Total
Revenue from external customer contracts				
Contract revenue	\$ 1,696	\$ 658	\$ 432	\$ 2,786

<u>Nine months ended September 30, 2022</u>	<u>Sales of materials</u>	<u>Service provision</u>	<u>Patent licensing</u>	<u>Total</u>
Revenue from external customer contracts				
Contract revenue	<u>\$ 1,049</u>	<u>\$ 1,661</u>	<u>\$ 1,494</u>	<u>\$ 4,204</u>
 <u>Nine months ended September 30, 2021</u>	 <u>Sales of materials</u>	 <u>Service provision</u>	 <u>Patent licensing</u>	 <u>Total</u>
Revenue from external customer contracts				
Contract revenue	<u>\$ 3,147</u>	<u>\$ 4,971</u>	<u>\$ 8,144</u>	<u>\$ 16,262</u>

(18) Interest income

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 16,470	\$ 1,496
Interest income from financial assets measured at amortised cost	173	-
	<u>\$ 16,643</u>	<u>\$ 1,496</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 26,189	\$ 4,799
Interest income from financial assets measured at amortised cost	522	-
	<u>\$ 26,711</u>	<u>\$ 4,799</u>

(19) Other gains and losses

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Net currency exchange gains	\$ 130,721	\$ 29
Net (losses) gains on financial assets at fair value through profit or loss	(211)	662
Others	(43)	(79)
	<u>\$ 130,467</u>	<u>\$ 612</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Net currency exchange gains (losses)	\$ 218,483	(\$ 35,224)
Net (losses) gains on financial assets at fair value through profit or loss	(1,435)	20,592
Others	(43)	(529)
	<u>\$ 217,005</u>	<u>(\$ 15,161)</u>

(20) Finance costs

	Three months ended September 30,	
	2022	2021
Interest expense	\$ 1,060	\$ 1,065

	Nine months ended September 30,	
	2022	2021
Interest expense	\$ 3,082	\$ 2,691

(21) Expenses by nature

	Three months ended September 30,	
	2022	2021
Employee benefit expenses	\$ 139,062	\$ 111,136
Clinical trials cost	145,148	60,831
Outsourced research expenses	70,788	38,108
Clinical material expenses	82,589	62,174
Depreciation charges	52,935	40,936
Consulting and service fees	24,610	42,763
Royalty fees	31,500	-
Amortisation charges	15,343	14,766
Rental expenses	2,531	2,692
Other expenses	36,952	25,257
Operating costs and expenses	\$ 601,458	\$ 398,663

	Nine months ended September 30,	
	2022	2021
Employee benefit expenses	\$ 440,332	\$ 332,923
Clinical trials cost	266,128	212,803
Outsourced research expenses	217,047	134,405
Clinical material expenses	171,866	124,802
Depreciation charges	132,816	119,272
Consulting and service fees	82,754	83,218
Amortisation charges	46,487	44,308
Royalty fees	31,500	-
Rental expenses	7,128	7,067
Other expenses	91,981	68,280
Operating costs and expenses	\$ 1,488,039	\$ 1,127,078

(22) Employee benefit expense

	Three months ended September 30,	
	2022	2021
Wages and salaries (including directors' remuneration)	\$ 90,585	\$ 85,996
Employee stock options	32,344	10,503
Labor and health insurance fees	6,085	5,271
Pension costs	4,864	4,653
Other personnel expenses	5,184	4,713
	<u>\$ 139,062</u>	<u>\$ 111,136</u>
	Nine months ended September 30,	
	2022	2021
Wages and salaries (including directors' remuneration)	\$ 268,649	\$ 254,315
Employee stock options	119,899	33,232
Labor and health insurance fees	18,117	15,337
Pension costs	14,745	13,196
Other personnel expenses	18,922	16,843
	<u>\$ 440,332</u>	<u>\$ 332,923</u>

- A. In accordance with the Articles of Incorporation, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' 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 September 30, 2022 and 2021, the Company had an accumulated deficit; thus, no employees' compensation and directors' remuneration was recognised for the three months and nine months ended September 30, 2022 and 2021.
- C. Employees' compensation and directors' remuneration for 2021 were both \$0 as resolved by the shareholders on June 27, 2022, which was in agreement with those amounts recognised in the 2021 financial statements. Information about employees' compensation and directors' remuneration of the Company as resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Components of income tax benefit:

	Three months ended September 30,	
	2022	2021
Current tax:		
Current tax on loss for the period	(\$ 1,306)	(\$ 1,513)
Prior year income tax overestimation	-	21,453
Total current tax	<u>(1,306)</u>	<u>19,940</u>
Deferred tax:		
Origination and reversal of temporary difference	2,108	2,108
Total deferred tax	<u>2,108</u>	<u>2,108</u>
Income tax benefit	<u>\$ 802</u>	<u>\$ 22,048</u>

	Nine months ended September 30,	
	2022	2021
Current tax:		
Current tax on loss for the period	(\$ 4,077)	(\$ 4,220)
Prior year income tax overestimation	-	21,453
Total current tax	<u>(4,077)</u>	<u>17,233</u>
Deferred tax:		
Origination and reversal of temporary difference	6,325	6,325
Total deferred tax	<u>6,325</u>	<u>6,325</u>
Income tax benefit	<u>\$ 2,248</u>	<u>\$ 23,558</u>

- B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. The subsidiaries', AP Biosciences, Inc., Amaran Biotechnology Inc. and Obigen Pharma, Inc., income tax returns through 2020 have been assessed and approved by the Tax Authority.
- C. 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 \$21,453 in the third quarter of 2021.

(24) Loss per share

Three months ended September 30, 2022		
	Weighted-average number of ordinary shares outstanding	Loss per share
<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss</u>		
<u>per share</u>		
Loss attributable to ordinary shareholders of the parent		
(\$ <u>387,533</u>)	<u>228,948</u>	(\$ <u>1.70</u>)
Three months ended September 30, 2021		
	Weighted-average number of ordinary shares outstanding	Loss per share
<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss</u>		
<u>per share</u>		
Loss attributable to ordinary shareholders of the parent		
(\$ <u>324,872</u>)	<u>198,948</u>	(\$ <u>1.64</u>)
Nine months ended September 30, 2022		
	Weighted-average number of ordinary shares outstanding	Loss per share
<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss</u>		
<u>per share</u>		
Loss attributable to ordinary shareholders of the parent		
(\$ <u>1,036,171</u>)	<u>219,718</u>	(\$ <u>4.72</u>)

	Nine months ended September 30, 2021		
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss</u> <u>per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 971,966)	198,939	(\$ 4.89)

Note: The potential ordinary shares have anti-dilutive effect due to net loss for the three months and nine months ended September 30, 2022 and 2021, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

(25) Non-controlling interest

- A. 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.
- B. 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 in an increase in the non-controlling interest by \$67,319 and a decrease in the equity attributable to owners of the parent by \$53,549.
- C. For the nine months ended September 30, 2021, the Group's subsidiaries, AP Biosciences, Inc., Amaran Biotechnology Inc. and Obigen Pharma, Inc., recognised employee compensation cost for the Company's or each subsidiaries' employee stock options granted to their respective employees as well as the expiration of certain stock options, resulting to an increase in the non-controlling interest by \$887 and equity attributable to owners of the parent by \$2,103.
- D. For the nine months ended September 30, 2021, the subsidiary, Amaran Biotechnology Inc., disposed shares of the Company which are treated as treasury shares by the Company. Refer to Note 6(14)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.
- E. 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. Obigen Pharma, Inc.

has collected all the remaining proceeds in the second quarter of 2021. The transaction resulted in an increase in the non-controlling interest by \$100,000.

- F. For the nine months ended September 30, 2022, the Group's subsidiaries, AP Biosciences, Inc., Amaran Biotechnology Inc. and Obigen Pharma, Inc., recognised employee compensation cost for the Company's or each subsidiaries' employee stock options granted to their respective employees. Further, certain subsidiaries and subsidiaries distributed their employee stock options to the Company's employees and parts of their stock options expired. These resulted to an increase in the non-controlling interest by \$31,205 and equity attributable to owners of the parent by \$9,218.
- G. Details of the Company's transactions with Odeon are provided in Note 4(3)B. The Group increased non-controlling interest by \$3 in the first three quarters of 2022 as a result of acquisition of Odeon.
- H. The Group's subsidiary, AP Biosciences, Inc., issued new shares and set October 4, 2022 as the effective date of the cash capital increase. As of September 30, 2022, AP Biosciences has received partial proceeds from the capital increase in the amount of \$670,000. As the Company did not acquire shares in proportion to its interest, the Company's shareholding ratio decreased by 11.78%. Aforementioned transaction resulted in an increase in the non-controlling interest by \$436,345 and an increase in the equity attributable to owners of the parent by \$233,655.
- I. 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 nine months ended September 30, 2022 and 2021 are shown below:

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

	Nine months ended September 30,	
	2022	2021
Cash	\$ 670,000	\$ 113,770
Increase in the carrying amount of non-controlling interest	(436,083)	(151,310)
Treasury shares - recognition of changes in ownership interests in subsidiaries	—	2,415
Capital surplus - recognition of changes in ownership interest in subsidiaries	<u>\$ 233,917</u>	<u>(\$ 35,125)</u>

Effect of share-based payment transactions:

	Nine months ended September 30,	
	2022	2021
Cash	\$ —	\$ —
Employee compensation cost	40,423	2,990
Increase in the carrying amount of non-controlling interest	(31,205)	(887)
Capital surplus - others	<u>\$ 9,218</u>	<u>\$ 2,103</u>

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

	Nine months ended September 30,	
	2022	2021
Recognised as treasury share	\$ -	\$ 16,992
Increase in the carrying amount of non-controlling interest	- (	5,902)
Treasury shares	- (	10,244)
Capital surplus - transactions of treasury shares	\$ -	\$ 846

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine months ended September 30,	
	2022	2021
Acquisition of property, plant and equipment	\$ 170,017	\$ 134,428
Add: Opening balance of payable	66,321	13,022
Less: Ending balance of payable	(3,860)	(9,604)
Cash paid during the period	\$ 232,478	\$ 137,846

(27) Changes in liabilities from financing activities

	Lease liabilities	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities - gross
At January 1, 2022	\$ 258,032	\$ -	\$ 35,000	\$ -	\$ 293,032
Changes in cash flow from financing activities	(39,795)	5,705	(5,250)	3	(39,337)
Impact of changes in foreign exchange rate	391	-	-	-	391
Changes in other non-cash items	(2,657)	-	-	-	(2,657)
At September 30, 2022	\$ 215,971	\$ 5,705	\$ 29,750	\$ 3	\$ 251,429

	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	(36,167)	-	(6,750)	(42,917)
Impact of changes in foreign exchange rate	(194)	-	-	(194)
Changes in other non-cash items	104,321	-	-	104,321
At September 30, 2021	\$ 260,445	\$ 9,468	\$ 37,250	\$ 307,163

7. RELATED PARTY TRANSACTIONS

(1) Name of related party and relationship

<u>Name of related party</u>	<u>Relationship with the Group</u>
Tanvex Biologics Corporation	Other related party (Note)
Ruentex Xu-Zhan Development Co., Ltd.	Other related party
Ruentex Construction Co., Ltd.	Other related party

Note: The Company re-elected directors on June 27, 2022. Therefore, the entity was no longer a related party of the Group since June 27, 2022. The transactions occurring after the aforementioned entity was no longer a related party of the Group were not anymore included in the disclosure of Note 7(2).

(2) Significant related party transactions

A. Research and development expenses - manufacture of clinical materials

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Tanvex Biologics Corporation	\$ -	\$ 2,175
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Tanvex Biologics Corporation	\$ 11,937	\$ 2,175

The Group commissioned Tanvex Biologics Corporation to carry out clone selection services and development as well as manufacture of the clinical candidate of the bispecific monoclonal antibody development platform. The total contract price was \$7,250 and US\$4,959 thousand, respectively, and the expenditures on consumables and other experiments are charged additionally. The aforementioned research and development expenses included consumables and other related expenses.

B. Other payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Ruentex Xu-Zhan Development Co., Ltd.	\$ -	\$ 70	\$ -

Other payables mainly refer to allocation of utilities expense.

C. 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:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Ruentex Xu-Zhan Development Co., Ltd.	\$ <u>47,257</u>	\$ <u>56,279</u>	\$ <u>59,263</u>

ii. Interest expense:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Ruentex Xu-Zhan Development Co., Ltd.	\$ <u>197</u>	\$ <u>245</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Ruentex Xu-Zhan Development Co., Ltd.	\$ <u>627</u>	\$ <u>771</u>

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) and \$8,423 (tax included) in November 2021 and March 2022, respectively. In June 2022, the construction was completed and all costs were all cleared and fully paid.

(3) Key management compensation

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 26,533	\$ 26,914
Share-based payments	16,541	8,009
	\$ <u>43,074</u>	\$ <u>34,923</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 77,808	\$ 83,313
Share-based payments	51,437	25,434
	\$ <u>129,245</u>	\$ <u>108,747</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2022	December 31, 2021	September 30, 2021	
Land	\$ 87,514	\$ 87,514	\$ 87,514	Long-term borrowings (Note 1)
Buildings and structures	13,196	13,420	13,496	Long-term borrowings (Note 1)
Buildings and structures	253,881	-	226,950	Short-term borrowings (Note 2)
Other non-current assets (refundable deposits and time deposits)				Duty paid after customer release, deposits for clinical trial agreement, rental deposit and letters of credit, etc.
	39,288	53,324	53,335	
	<u>\$ 393,879</u>	<u>\$ 154,258</u>	<u>\$ 381,295</u>	

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. Refer to Note 6(9) for details.

Note 2: The subsidiary, Amaran Biotechnology Inc., entered into a loan agreement with Mega International Commercial Bank for a total credit facility of \$100 million, and pledged properties as collateral with line of credit guaranty to Mega International Commercial Bank. 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, 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 September 30, 2022.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) On June 22, 2022, the Board of Directors of AP Biosciences, Inc. resolved to issue 16,000 thousand new shares to increase capital, and the effective date was set on October 4, 2022, with an issuance price of NT\$50 (in dollars). The paid-in capital amounting to \$800,000 had been collected.

- (2) The Board of Directors during its meeting on August 8, 2022 adopted a resolution to issue employee restricted ordinary shares of 160 thousand shares with a par value of NT\$10 (in dollars) per share, and the effective date of capital increase was set on October 25, 2022.

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 2022, the Group's strategy, which was unchanged from 2021, was to maintain the gearing ratio within reasonable security range. The ratios are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Total liability	\$ 462,635	\$ 615,948	\$ 421,904
Less: Cash and cash equivalents	(5,075,067)	(2,512,186)	(3,159,213)
Net debt	<u>(\$ 4,612,432)</u>	<u>(\$ 1,896,238)</u>	<u>(\$ 2,737,309)</u>
Total equity	<u>\$ 6,579,877</u>	<u>\$ 3,870,803</u>	<u>\$ 4,466,792</u>

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	<u>\$ 332</u>	<u>\$ 1,767</u>	<u>\$ 2,330</u>
Financial assets at fair value through other comprehensive income	<u>\$ 8,699</u>	<u>\$ 9,106</u>	<u>\$ 7,055</u>
Financial assets at amortised cost			
Cash and cash equivalents	5,075,067	2,512,186	3,159,213
Financial assets at amortised cost	61,750	140,000	-
Notes receivable	7	-	-
Accounts receivable	1,582	3,465	1,143
Other receivables	19,269	19,804	18,828
Other financial assets (guarantee deposits paid)	<u>39,288</u>	<u>53,324</u>	<u>53,335</u>
	<u>\$ 5,196,963</u>	<u>\$ 2,728,779</u>	<u>\$ 3,241,904</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss	<u>\$ 47,625</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities at amortised cost			
Short-term borrowings	\$ 5,705	\$ -	\$ 9,468
Notes payable	4	-	660
Accounts payable	327	525	19
Other payables (including related parties)	104,351	264,860	53,761
Long-term borrowings (including current portion)	29,750	35,000	37,250
Other non-current liabilities (guarantee deposits received)	<u>3</u>	<u>-</u>	<u>-</u>
	<u>\$ 140,140</u>	<u>\$ 300,385</u>	<u>\$ 101,158</u>
Lease liabilities	<u>\$ 215,971</u>	<u>\$ 258,032</u>	<u>\$ 260,445</u>

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, 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:

September 30, 2022						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 64,833	31.750	\$ 2,058,448	1%	\$ 20,584	\$ -
RMB:USD	2,000	0.141	8,946	1%	89	-
USD:RMB	138	7.098	4,382	1%	44	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD	14,376	31.750	456,423	-	-	-
RMB:USD	1,422	0.141	6,359	-	-	-
AUD:NTD	880	20.660	18,175	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	2,000	31.750	63,500	1%	635	-
December 31, 2021						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 40,887	27.680	\$ 1,131,752	1%	\$ 11,318	\$ -
USD:RMB	314	6.372	8,692	1%	87	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD	2,422	27.680	67,046	-	-	-
RMB:USD	2,630	0.157	11,426	-	-	-
AUD:NTD	2,249	20.080	45,162	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	4,317	27.680	119,495	1%	1,195	-

September 30, 2021

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 48,576	27.850	\$ 1,352,842	1%	\$ 13,528	\$ -
RMB:NTD	377	4.305	1,623	1%	16	-
USD:RMB	372	6.469	10,360	1%	104	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD	2,452	27.850	68,290	-	-	-
RMB:USD	3,127	0.155	13,461	-	-	-
AUD:NTD	2,901	20.070	58,219	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,067	27.850	29,716	1%	297	-

- v. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2022 and 2021 amounted to \$130,721, \$29, \$218,483 and (\$35,224), respectively.

Price risk

- 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.
- 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 nine months ended September 30, 2022 and 2021 would have increased/decreased by \$1 and \$19, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$87 and \$71, 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 three months and nine months ended September 30, 2022 and 2021.
- ii. At September 30, 2022 and 2021, if interest rates had been 1% higher or lower with all other variables held constant, post-tax profit for the nine months ended September 30, 2022 and 2021 would have been \$177 and \$388 lower or higher, respectively, mainly as a result of changes in interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with stable credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customer's accounts receivable, contract assets and rent receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;

- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. When estimating the allowance for uncollectible accounts for receivables, the Group incorporates forward-looking information in the adjustment of the loss rate, which is calculated based on historical data from specific periods and current information. As of September 30, 2022, December 31, 2021 and September 30, 2021, 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:

September 30, 2022				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Domestic bank	\$ 61,750	\$ -	\$ -	\$ 61,750
December 31, 2021				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Domestic bank	\$ 140,000	\$ -	\$ -	\$ 140,000

The Group has no investments in debt instruments at amortised cost as of September 30, 2021.

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.

September 30, 2022					
	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	\$ 5,705	\$ -	\$ -	\$ -	\$ -
Notes payable	4	-	-	-	-
Accounts payable	327	-	-	-	-
Other payables	104,351	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	71,438
Long-term borrowings (including current portion)	7,452	7,330	7,208	8,838	-
Lease liabilities (including current portion)	46,335	30,808	27,411	22,533	117,099
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

September 30, 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:					
Short-term borrowings	\$ 9,487	\$ -	\$ -	\$ -	\$ -
Notes payable	660				
Accounts payable	19	-	-	-	-
Other payables	53,761	-	-	-	-
Long-term borrowings (including current portion)	7,939	7,345	7,252	14,225	1,752
Lease liabilities (including current portion)	46,541	45,273	30,718	38,497	126,004

- 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 and financial liabilities at fair value through profit or loss 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, notes receivable, accounts receivable, other receivables, other financial assets (guarantee deposits paid), notes payable, accounts payable, other payables (including those to related parties), financial liabilities at fair value through profit or loss and other non-current liabilities (guarantee deposits received) is a reasonable approximation to their fair value; the interest rate on long-term and short-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:

September 30, 2022				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign listed stocks	\$ 332	\$ -	\$ -	\$ 332
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	8,699	8,699
	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ 8,699</u>	<u>\$ 9,031</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Hybrid instrument	\$ -	\$ -	\$ 47,625	\$ 47,625
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,625</u>	<u>\$ 47,625</u>
December 31, 2021				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
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
	<u>\$ 1,767</u>	<u>\$ -</u>	<u>\$ 9,106</u>	<u>\$ 10,873</u>

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign listed stocks	\$ 2,330	\$ -	\$ -	\$ 2,330
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	7,055	7,055
	\$ 2,330	\$ -	\$ 7,055	\$ 9,385

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

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

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

E. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.

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

	Fair value at September 30, 2022	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 8,699</u>	Market comparable companies	Price to book ratio multiple	1.14~4.76 (1.64)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	13.74%~ 71.04% (31%)	The higher the discount for lack of marketability, the lower the fair value
Hybrid instrument:					
Convertible preferred shares	<u>\$ 47,625</u>	Most recent non-active market price	Not applicable	-	Not applicable
	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	<u>\$ 9,106</u>	Market comparable companies	Price to book ratio multiple	1.41~2.63 (1.83)	The higher the multiple, 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 September 30, 2021	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 7,055</u>	Market comparable companies	Price to book ratio multiple	1.19~2.48 (1.59)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	17.77%~ 49.23% (35%)	The higher the discount for lack of marketability, the lower the fair value

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

September 30, 2022						
	Input	Change	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	±10%	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 871</u>	<u>(\$ 871)</u>
	Discount for lack of marketability	±10%	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396</u>	<u>(\$ 396)</u>
December 31, 2021						
	Input	Change	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%	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 910</u>	<u>(\$ 910)</u>
	Discount for lack of marketability	±10%	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374</u>	<u>(\$ 374)</u>

			September 30, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Price to book ratio	±10%	\$ -	\$ -	\$ 710	(\$ 710)
	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 380	(\$ 380)

H. The following chart is the movement of Level 3 for the nine months ended September 30, 2022 and 2021:

Nine months ended September 30, 2022			
	Equity securities	Hybrid instrument	Total
Opening net book amount	\$ 9,106	\$ -	\$ 9,106
Loss recognised in other comprehensive income	(407)	-	(407)
Acquired during the period	-	47,625	47,625
Closing net book amount	\$ 8,699	\$ 47,625	\$ 56,324

Nine months ended September 30, 2021			
	Equity securities	Hybrid instrument	Total
Opening net book amount	\$ 8,037	\$ -	\$ 8,037
Profit recognised in other comprehensive income	(982)	-	(982)
Closing net book amount	\$ 7,055	\$ -	\$ 7,055

I. For the nine months ended September 30, 2022 and 2021, there was no transfer into or out from Level 1 and 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: 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): 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: 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: Refer to table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: 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

Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has four reportable segments, which are anti-cancer new drug segment, bispecific monoclonal antibody new drug segment, botulinum toxin new drug segment and CDMO segment. The segments are identified in the functional perspective such as the territory of the research and development of new drugs and CDMO (Contract Development and Manufacturing Organization).

(2) Measurement of segment information

All operating segments of the Group apply the same accounting policies.

(3) Segment information

The segment income or loss after tax reported to the chief operating decision-maker is measured in a manner consistent with revenues and expenses in the statement of comprehensive income. For the nine months ended September 30, 2022 and 2021, the segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Anti-cancer new drug	Bispecific monoclonal antibody new drug	Botulinum toxin new drug	CDMO	Reconciliation and elimination	Total
<u>Nine months ended</u>						
<u>September 30, 2022</u>						
Revenue from external customers	\$ 1,494	\$ -	\$ -	\$ 2,710	\$ -	\$ 4,204
Inter-segment revenue	-	-	-	30,219	(30,219)	-
Total segment revenue	<u>\$ 1,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,929</u>	<u>(\$ 30,219)</u>	<u>\$ 4,204</u>
Segment loss	<u>(\$ 719,167)</u>	<u>(\$ 222,887)</u>	<u>(\$ 155,039)</u>	<u>(\$ 127,261)</u>	<u>(\$ 16,149)</u>	<u>(\$ 1,240,503)</u>
Segment loss, including:						
Depreciation	\$ 49,487	\$ 5,470	\$ 39,938	\$ 43,498	(\$ 5,577)	\$ 132,816
Amortisation	12,447	1,317	30,926	1,097	700	46,487
Finance costs	1,475	-	730	882	(5)	3,082
Interest income	24,998	622	573	518	-	26,711
	Anti-cancer new drug	Bispecific monoclonal antibody new drug	Botulinum toxin new drug	CDMO	Reconciliation and elimination	Total
<u>Nine months ended</u>						
<u>September 30, 2021</u>						
Revenue from external customers	\$ 1,151	\$ 6,993	\$ -	\$ 8,118	\$ -	\$ 16,262
Inter-segment revenue	-	-	-	18,532	(18,532)	-
Total segment revenue	<u>\$ 1,151</u>	<u>\$ 6,993</u>	<u>\$ -</u>	<u>\$ 26,650</u>	<u>(\$ 18,532)</u>	<u>\$ 16,262</u>
Segment loss	<u>(\$ 768,354)</u>	<u>(\$ 126,534)</u>	<u>(\$ 82,422)</u>	<u>(\$ 100,917)</u>	<u>(\$ 20,493)</u>	<u>(\$ 1,098,720)</u>
Segment loss, including:						
Depreciation	\$ 57,470	\$ 5,870	\$ 23,531	\$ 37,403	(\$ 5,002)	\$ 119,272
Amortisation	11,507	560	24,732	614	6,895	44,308
Finance costs	1,712	-	244	752	(17)	2,691
Interest income	3,629	147	532	491	-	4,799

OBI Pharma, Inc. and Subsidiaries
Loans to others
Nine months ended September 30, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended	Balance at	Actual	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					September 30, 2022	September 30, 2022	amount drawn down						Item	Value			
1	OBI Pharma Australia Pty Ltd	OBI Pharma (Shanghai) Limited	Other receivables - related party	Y	\$ 3,175	\$ -	\$ -	1.33%	2	\$ -	Working capital	\$ -	-	\$ -	\$ 1,817	\$ 7,270	Note 1

Note 1: 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 2: The nature of the loan is as follows:

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

OBI Pharma, Inc. and Subsidiaries

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

September 30, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2022				Footnote
				Number of shares	Book value	Ownership	Fair value	
OBI Pharma, Inc.	Agnitio Science & Technology Inc./Stock	None	Financial assets at fair value through other comprehensive income - non-current	867,018	\$ 8,699	3.27%	\$ 8,699	None
Amaran Biotechnology Inc.	Edesa Biotech, Inc./Stock	"	Financial assets at fair value through profit or loss - current	11,338	332	-	332	"

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
Nine months ended September 30, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

					Balance as at January 1, 2022		Additions		Disposal				Balance as at September 30, 2022		
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.	Odeon Therapeutics (Cayman) Limited Preference stock	Investments accounted for under the equity method	Note 1	Subsidiary	-	\$ -	6,000,000	\$ 381,000 Note 3	-	\$ -	\$ -	\$ -	6,000,000	\$ 381,000	Note 2

Note 1: Counterparty include Odeon Therapeutics (Hong Kong) Limited and Odeon Therapeutics (Cayman) Limited (the parent company who owned a 100% equity interest in Odeon Hong Kong)

Note 2: Odeon Therapeutics (Cayman) Limited (Odeon) became a subsidiary of the Company since the first quarter of 2022.

Note 3: It includes the Company’s new investment amounting to USD\$12,000 in Odeon in March 2022.

OBI Pharma, Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Nine months ended September 30, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	OBI Pharma USA, Inc.	OBI Pharma, Inc.	2	Accounts receivable	\$ 31,571	(Note 4)	0.45
1	"	"	"	Service revenue	135,902	"	3,232.68
2	Amaran Biotechnology Inc.	"	"	CMO revenue and calibration and analysis service revenue	30,219	"	718.82

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
Nine months ended September 30, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net loss of the investee for the nine months ended September 30, 2022	Investment loss recognised by the Company for the nine months ended September 30, 2022	Footnote
				Balance as at September 30, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
OBI Pharma, Inc.	Amaran Biotechnology Inc.	Taiwan	Manufacture and wholesale of western pharmaceuticals as well as research and development of biotechnology	\$ 676,096	\$ 676,096	64,915,252	70.70	\$ 483,739	(\$ 127,261)	(\$ 75,908)	Note 2
"	AP Biosciences, Inc.	Taiwan	Research and development of biotechnology	640,035	640,035	26,624,000	42.84	584,346	(222,887)	(135,550)	"
"	Obigen Pharma, Inc.	Taiwan	Research and development of biotechnology	945,000	945,000	47,250,000	62.17	6,153	(155,039)	(96,386)	"
"	OBI Pharma USA, Inc.	USA	Research and development of biotechnology	85,725	85,725	2,701,000	100.00	68,031	(5,877)	(5,877)	"
"	OBI Pharma Australia Pty Ltd.	Australia	Research and development of biotechnology	220,029	220,029	10,650,000	100.00	18,175	(28,330)	(28,330)	"
"	OBI Pharma Limited	Hong Kong	Investments and trading	84,138	84,138	2,650,000	100.00	7,392	(5,357)	(5,357)	"
"	Odeon Therapeutics (Cayman) Limited	Cayman Islands	Investments and trading	381,000	-	6,000,000	77.42	381,000	(1,577)	-	"
Odeon Therapeutics (Cayman) Limited	Odeon Therapeutics (Hong Kong) Limited	Hong Kong	Investments and trading	-	-	-	100.00	-	(1,313)	-	Notes 2 and 3

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

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

Note 3: As of September 30, 2022, the registration of Odeon Therapeutics (Hong Kong) Limited has not yet been completed, and thus the relevant information is not disclosed.

OBI Pharma, Inc. and Subsidiaries
Information on investments in Mainland China
Nine months ended September 30, 2022

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, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee for the nine months ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2022	Book value of investments in Mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
OBI Pharma (Shanghai) Limited	Research and development of biotechnology	\$ 79,375	Note 1	\$ 79,375	-	-	\$ 79,375	(\$ 5,352)	100.00	(\$ 5,352)	\$ 6,359	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022 (Note 3)		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.	\$ 79,375		\$ 79,375		\$ 3,097,117								

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 reviewed by the parent company's CPA.

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

OBI Pharma, Inc. and Subsidiaries

Major shareholders information

September 30, 2022

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Yi Tai Investment Co., Ltd.	25,765,032	11.23%
Huei Hong Investment Co., Ltd.	19,005,462	8.28%

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 229,279,374 shares = 229,279,374 (common shares) + 0 (preference shares).