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OBI Pharma, Inc.

Annual Report 2016

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I. Letter to Shareholders

Dear Shareholders,

This past year, OBI has overcome many challenges, encouraging us to reflect on who we are today and the kind of company we wish to be tomorrow. The insights we learned these past 12 months have refined our vision of providing novel cancer therapies that fulfill unmet medical needs. Through tremendous effort, our team has made great progress both in new research and development as well as in advancing our critical projects. After an historic year, we move into a new chapter for OBI Pharma.

OBI began with a focus on active immune-oncology therapy. We have now begun to diversify into a broader anti-cancer company, with more emphasis on our novel antibody program and exciting new programs, like antibody drug conjugates and new cancer targets. This desire to continuously challenge ourselves has led us to exciting discoveries and new opportunities.

As we continue our transformation into a global biopharma, we executed on our clinical development plans, expanded our pipeline into new indications, and repositioned our R&D through innovative studies and the introduction of new products. In addition, we have moved forward in other areas - through strategic M&A, by enhancing our worldwide intellectual property estate, with key talent recruitment, and by strengthening our employee development. And OBI will continue to acquire novel and promising cancer targets.

Overall, we embark on a new chapter for the Company, but remain committed to our core values: to improve health and the quality of life through innovative and cost-effective medicine. We hope that you, our shareholders, will continue to support us and our renewed vision of the future.

Below are key milestones in 2016 and notable business initiatives for 2017:

2016 BUSINESS RESULTS

R&D PIPELINE PRODUCTS

(I) Active immuno-oncology therapy:

1. **Adagloxad Simolenin (formerly OBI-822/821).** An active immuno-oncology therapy based on the Globo H antigen, Adagloxad Simolenin's clinical trial for breast cancer was conducted in 45 medical centers worldwide. The trial exceeded its patient recruiting target of 342 subjects (349 subjects recruited in total) in July 2014, and topline data was unblinded in February 2016. Despite not meeting its primary efficacy endpoint of Progression-Free Survival (PFS), the trial demonstrated to a significant degree that subjects who generated enough Globo H antibodies benefited from an extended period of PFS. These results were presented at the annual meeting of the American Society of Clinical Oncology (ASCO) in

June 2016. The Company held its End of Phase 2 (EOP2) Meeting with the US Food and Drug Administration (FDA) in January 2017, and received a written reply from the European Medicines Agency (EMA) regarding questions related to the Company's design of its global Phase III clinical trial for Adagloxad Simolenin. The Company will amend its global Phase III clinical trial accordingly.

2. **OBI-833/821.** A second generation active immuno-oncology therapy based on the Globo H antigen, OBI-833 completed the Dose Escalation Phase of its phase I clinical trial for safety, from which the Company designated one dosage and one cancer type for its Cohort Expansion Phase. In 2016, the US FDA permitted the Company to merge its OBI-833/834 phase I investigational new drug application (IND) application into a single OBI-833 IND. The Company plans to carry out an additional OBI-833/834 arm in this Cohort Expansion Phase using the chosen dosage and cancer type.

(II) Passive immune-oncology therapy (new antibody drugs):

1. **OBI-888.** A passive immuno-oncology therapy based on a monoclonal antibody that targets Globo H, OBI-888 completed a single-dose toxicity study in primates with no major adverse reactions observed. It is currently undergoing repeated-dose toxicity studies. The sequence of OBI-888 was filed for international patent applications (PCT) and is currently under review (National Phase). An IND application is expected in the fourth quarter of 2017.
2. **OBI-999.** An Antibody Drug Conjugate (ADC) treatment for cancer that is based on Globo H, OBI-999 uses a Globo H antibody to target cancer cells of high Globo H expression. By releasing a small molecule chemotherapeutic drug through the specificity of the antibody, it directly deploys cytotoxicity therapy at the targeted cancer cells. Preliminary pharmacological studies and animal verification have already been completed, and it is currently undergoing Chemistry Manufacturing Control (CMC) planning and toxicology study design. Proposed patent applications and arrangements are also underway.

(III) Non-core Products:

1. **OBI-858 Novel Botulinum Toxin.** A new clostridium botulinum toxin preparation with expected uses in medicine and cosmetology, OBI-858 underwent toxicity studies and bulk clinical-use drug production and drug stability studies that were completed in 2015. The Company is currently working on the development of bacteria-free packing processes of the finished drug as well as dosage form research. In the future, the Company will qualify a cGMP manufacturer to handle production of finished drugs for a clinical studies. The Company is actively seeking a co-development partner to jointly development this drug.
2. **OBI-868 Glycan array.** A carbohydrate membrane array test reagent that can instantly monitor the concentration of carbohydrate antibodies generated in a patient, OBI-868 is a carbohydrate membrane array that offers greater sensitivity, specificity, and accuracy than the traditional ELISA method. This array has been used for specimen analysis in the clinical trial setting, including the OBI-822 retrospective trial and OBI-833 Phase I clinical trial.

Preliminary experimental data indicates that patients who generate enough Globo H IgG antibodies at an early stage will benefit with better PFS. In the future, OBI-868 may be used to assist the Company in relevant tests necessary for the development of carbohydrate-based active immuno-oncology therapies.

3. **DIFICID.** A new antibiotic for *clostridium difficile* infection, Dificid was licensed back to Optimer Pharma on October 2, 2015. The out-licensing was fully completed in the second quarter of 2016 with an upfront payment of USD 3 million.

STRATEGIC INITIATIVES

In March 2016, a strategy meeting was held to map out the future direction and long-term goals of the company. Beyond the development of Globo Series based active immune-oncology therapies, the Company decided to move forward into more areas of cancer therapy. The Company later announced a non-binding deal to acquire a controlling stake in AP Biosciences, Inc., which we believe can optimize and further strengthen our internal research and development in monoclonal antibodies. More recently, the acquisition of the small molecule anti-cancer drug OBI-3424 from Threshold Pharmaceuticals further demonstrates the Company's interest in diversifying its product portfolio to lay a solid foundation for becoming a global biopharma company.

CORPORATE GOVERNANCE

I. Recruit new talent and strengthen organizational efficiency

Talent acquisition has always been a priority for OBI. Total full time employees grew to 121 in 2016.

II. Expand R&D center and promote the culture of teamwork

The newly renovated laboratories at the Nangang Software Park function as the center for the research and development team. Non-laboratory personnel are now located at the CityLink Nangang development above the Nangang High Speed Rail Station.

III. Strengthen intellectual property management

OBI received a grade A for Taiwan Intellectual Property Management System (TIPS) based on the audit performed by Industrial Development Bureau last year.

2016 FINANCIAL REPORT

OBI is a new drug development company with high inherent risks. Hence, financial assets are typically placed in low risk fixed-term time deposits.

Operating income was NTD 92,422,000 in 2016, mainly drawn from the upfront payment of the Dificid rights transfer. Key expenses for 2016 come from R&D, which totaled NTD 859,480,000, an increase of +32.6% over 2015. .

In general, the overall budget plan was met in 2016. An overview of the financial analysis follows below:

Unit: NTD thousands

Item \ Year			2016	2015
Financial revenue and expenditure	Operating income		92,422	-
	Operating expenses		1,204,892	1,063,218
	Non-operating revenue (expenditure)		4,846	123,405
	Aggregate loss in this period		1,111,256	939,628
Profitability analysis	Return on assets (%)		(16.28)	(21.40)
	Return on equity (%)		(16.64)	(21.82)
	Ratio in paid-up capital (%)	Operating loss	(64.82)	(62.28)
		Pretax net loss	(64.54)	(55.05)
	Net profit ratio (%)		(1,201.15)	-
	Net loss per share (NTD)		(6.51)	(5.66)

I. 2017 BUSINESS PLAN AND DEVELOPMENT STRATEGY

Development strategies for pipeline products in 2017:

(i) Preparations for the Global Phase III clinical trial of Adagloxad Simolenin (OBI-822)
(ii) Continuation of the Phase I trial Cohort Expansion Phase for OBI-833
(iii) Submission of the FDA IND application for OBI-888
(iv) Pre-clinical studies of OBI-999
(v) Continued development of other carbohydrate-based antibodies
(vi) Expansion of the product portfolio by introducing novel anti-cancer products
(vii) Collaboration in OBI-858 pilot plan

Operational efficiencies have been achieved based on TIPS guidelines. This includes corporate SOPs for intellectual property, translational medicine, and supply chain management. In addition, the Company improved its cybersecurity by implementing a state-of-the-art Information Security Management System (ISMS). Overall, operational excellence was acheived through a carefully planned, systematic approach.

II. IMPACT OF EXTERNAL COMPETITIVE ENVIRONMENT, REGULATORY ENVIRONMENT AND OVERALL ENVIRONMENT

Combination therapy has become the latest trend in cancer therapy. In addition to current pipeline products, the Company is also speeding up research and development in newer targeted therapies, including ADCs. Meanwhile, strategic partnerships with other industry leaders will continue to be sought to manage risk and optimize resources.

In addition to these annual objectives, we continuously review our long-term strategies and goals, and aspire to reach each important milestone on our way to becoming a world-class biopharma company.

OBI Pharma, Inc.
Chairman: Michael N. Chang

II. Company Profile

i. Establishment Date

(i) Establishment date: April 29, 2002

(ii) Address and telephone number of parent company, branch company and plant:

1. Company address and telephone number:

19F, No. 3, Park Street, Nangang Software Park, Nangang District, Taipei City 115 Tel.: (02)2655-8799

7F, No. 369, Zhongxiao East Road, Section 7, Nangang District, Taipei City 115 Tel.: (02)2786-6589

2. Branch company address and telephone number: NA.

3. Plant address and telephone number: NA.

ii. Company history

2002	● OBI founded as a subsidiary of Optimer Pharmaceuticals (NASDAQ:OPTR) with Dr. Michael Chang as the chairman
2004	● Completed the statistical analysis of DIFICID™ (Fidaxomicin) CDI epidemiology in Taiwan . ● To expand operations, a capital increase of 12.6 million shares and technology investment of 20.4 million shares, or a total of 33 million shares with par value per share of NTD 10. Authorized capital was NTD 1,200,000,000, and paid-up capital was NTD 340,000,000 ● OBI Pharma coordinated with the manufacturing of DIFICID™ ofr a phase I/II clinical trial in Taiwan
2006	● Optimer Pharmaceuticals (NASDAQ:OPTR) initiates a DIFICID™ Phase III human trial (No. 003 clinical trial)
2007	● Parent company Optimer Pharmaceuticals became public listing in the National Association of Securities Dealers Automated Quotation (NASDAQ) ● OBI Pharma partnered with Academia Sinica on carbohydrate molecules synthesis and carbohydrate membrane array development

2008	● Taiwan's Center for Drug Evaluation granted OBI priority review for OBI-822 (formerly known as OPT-822)
2009	● Dr. Youe-Kong Shue appointed CEO. ● OBI-822 licensing fully transferred to OBI from Optimer Pharmaceuticals.
2010	● OBI gained the exclusive right to develop OBI-833, a new generation cancer immunotherapy, and OBI-868, a novel cancer diagnosis technology, from Academia Sinica. ● OBI received exclusive commercial rights for DIFICID™ in Taiwan. ● OBI-822 Phase II/III Clinical Trial for metastatic breast cancer began in Taiwan
2011	● OBI-822 Clinical Trial for metastatic breast cancer began in the US and Hong Kong. ● OBI received the Gold Award at the 2011 Taiwan Biomedical and Agricultural Industries Innovation and Excellence Ceremonies ● TFDA granted New Drug Priority Review and exemption requiring a Bridging Study Evaluation (BSE) for DIFICID™.
2012	● OBI listed as an Emerging Company in Taiwan's GreTai Securities Market. ● OBI appointed Tamon Cheng as Chairman, Amy Huang as Chief Operating Officer, and Dr. Tony Yu as Chief Scientific Officer. ● OBI-822 Clinical Trial enters Phase III in Taiwan. ● OBI-822 Clinical Trial for metastatic breast cancer begins in India and South Korea. ● OBI-822 selected by the TFDA for the ECFA Program, a preferential trade agreement between China and Taiwan ● OBI receives NDA approval for DIFICID™ in Taiwan
2013	● The company registered a new English name, "OBI Pharma, Inc." ● Launched Phase 1 clinical trial for OBI-833, a second generation of carbohydrate cancer immunotherapy in 2014. ● OBI-833, a new generation cancer vaccine, was licensed to OBI from Academia Sinica. ● OBI appointed Dr Michael Chang as Chairman, Dr Youe-Kong Shue as Vice Chairman and Principal, Global Clinical Operations and Planning, and Amy Huang as General Manager. ● Registered OBI PHARMA (SHANGHAI) LIMITED. ● Registered OBI PHARMA USA, INC. ● OBI received Taiwan “Venture Capital Star”, Best Investment

	Award.
2014	● OBI signed exclusive license agreement with Academia Sinica, to use synthetic carbohydrate technology of Academia Sinica for improvement of OBI-822 production. ● Completion of Patient Enrollment in Phase 2/Phase 3 Clinical Trial of OBI-822 Active Immunotherapy for Metastatic Breast Cancer. ● In April, IPO up-listing approved by Taiwan SEC. ● In July, OBI-822 received the 11th Taiwan National Innovation Award. General Manager Amy Huang received this honorable award from Taiwan Vice President Wu.
2015	● In March, uplisting raised USD 200 million in new funding. ● In July, OBI-833-001 IND was approved by TFDA. ● In October, OBI Pharma enters exclusive agreement with MSD for Rights to DIFICID® (fidaxomicin) in Taiwan. ● In November, OBI-822-001 clinical trial data cut off accomplished
2016	● In February, OBI Pharma reports topline results from OBI-822/821 Randomized Controlled Phase 2/3 Clinical Trial in Patients with Metastatic Breast Cancer ● In March, ASCO accepts Abstract for Oral Presentation on 2016 Annual Meeting ● In April, Expert Meeting held for OBI-822-001 Study in London ● In June, OBI-822-001 trial data presented at ASCO in Chicago. In the same month, announcement on abstract Study was given at the Investor Conference in Taipei. Annual Shareholders' Meeting was held in Taipei. OBI Pharma announces the re-appointment of Dr. Michael Chang as the Chairman of the Company. ● In August, Dr. Nathan Chen resigned as Chief Medical Officer due to personal reasons, and joins the company’s Medical Advisory Board. OBI embarks on non-deal roadshow in the US for the first time. ● In September, OBI was invited to the 17th Annual Asian Technology Conference organized by Credit Suisse. ● In October, OBI sponsored an Adagloxad Simolenin Satellite Symposium at the 2016 ESMO Annual Meeting. ● In November, OBI-833 patent was approved for Taiwan and Australia. In the same month, OBI Pharma was awarded grade A for TIPS Management. ● In December, OBI Pharma announced the signing of a Non-Binding Letter of Intent for OBI Pharma, Inc., to issue new shares to AbProtix, Inc., in exchange for an up to 70% stake in AP

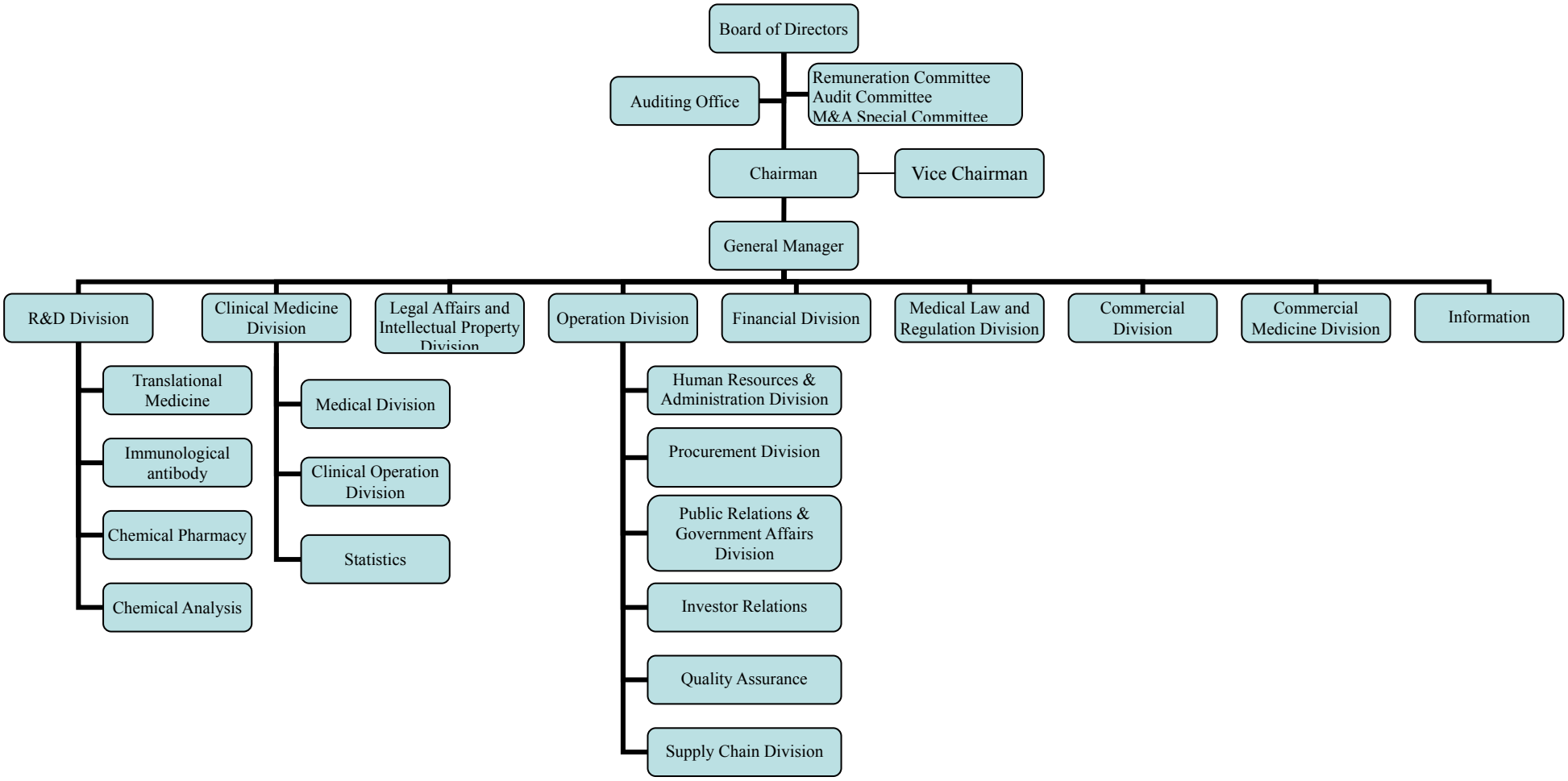
	Biosciences.
2017	● In January, OBI had an EOP2 meeting with the FDA. China FDA approved Clinical Trial Application for Adagloxad Simolenin Phase III Study. Later in the month, Ms. Joanna Meng retires as Chief Operating Officer. OBI Pharma appoints Mr. Max Chan as the new Chief Operating Officer. ● In April, OBI-833 fulfilled the primary safety requirements of Phase I clinical trial for US and Taiwan. ● In June, OBI acquired TH-3424 and renames it OBI-3424

III. Corporate Governance Report

i. Organization system

(i) organizational chart

OBI Pharma, Inc.



(ii) Operating business of each major department:

Department		Major responsibility
Auditing Office		1. Supervise and urge each unit to formulate internal control system and execute it. 2. Prepare and execute annual audit plan. 3. Prepare audit report and regularly trace deficiency, review self-inspection operations and other matters shall be executed as required by law of each unit.
R&D Division	Translational Medicine	1. Plan and execute translational cancer mechanism study, and support clinical trial and medicament license application. 2. Execute translational medicine, translational pharmacology and toxicity test, and support clinical trial. 3. Plan R&D direction and new drug development plan. 4. Execute new drug R&D project management. 5. Patent layout of research achievements.
	Immunological antibody	1. Plan and execute trials related to pre-clinical immunology and immunological pharmacology. 2. Plan and manage relevant studies on clinical trial specimens. 3. Execute product release immune activity test. 4. Support clinical license application and medicament license application. 5. Patent layout of research achievements.
	Chemical Pharmacy	1. Development and design of synthetic method and dosage form. 2. Process parameter and process optimization study. 3. Planning of manufacturing, process control and outsourcing cooperation project. 4. Product CMC data preparation and writing, so as to support clinical license application and medicament license application. 5. Patent layout of research achievements.
	Chemical Analysis	1. New drug characteristics analysis and analysis method development. 2. Creation of analysis method operation document and execution of effect experiment. 3. Product specification setting. 4. Investigational product quality control and stability tracing. 5. Patent layout of research achievements.
Clinical Medicine Division	Medical Division	1. Lead and write new drug clinical trial protocol, and confirm its feasibility. 2. Provide relevant information on medical science and drug side

Department		Major responsibility
		effects, and responsible for pre-clinical preparation and execution; during such period, interpret if the trial subject has the symptom of adverse reaction. 3. Support the promotion of new drug business.
	Clinical Operation Division	1. Clinical trial planning and execution. 2. Study on the laws and regulations on new drug development and drug examination and approval. 3. Product plan project management.
	Statistics	1. Provide statistical specialty and planning for clinical development. 2. Lead statistical analysis and explain the analysis results. 3. Support the negotiation with Food and Drug Administration. 4. Support the publication of clinical results.
Legal Affairs and Intellectual Property Division		1. Review, revise and draft contracts and legal documents. 2. Legal system establishment, maintenance and process management. 3. Legal dispute case handling and consultation. 4. Intellectual property right management and maintenance. 5. Establishment and promotion of legal compliance system. 6. Control of legal risks related to company operation.
Operation Division	Human Resources & Administration Division	1. Comprehensive arrangement of company organization and human resources planning, employee development. 2. Remuneration rewarding system. 3. Organization optimization and improve employee's quality and core technology. 4. Organizational culture cultivation. 5. Human resources system optimization. 6. Strengthen employee relationship. 7. General affairs administration, and space utilization.
	Procurement Division	Materials and labor service procurement.
	Public Relations & Government Affairs Division	1. Preparation and publication of external speech strategy. 2. Media relations management, media interview, publication, advertising arrangement and execution. 3. Maintenance and contact window for relations with government, profession, those of the same industry, patients group and investors. 4. Design and comprehensive arrangement of external statement, media related contents, official documents and correspondence, planning and event creativity. 5. Planning and execution of corporate social responsibility activity.

Department		Major responsibility
	Investor Relations Division	Handle investor relations activities and opinions.
	Quality Assurance Division	Ensure R&D and drug distribution are conforming to the Current Good Manufacturing Practice (cGMP) of Food and Drug Administration.
	Supply Chain Division	1. Responsible for production planning, technology transfer and provide supply to clinical use or marketing sales. 2. Ensure the Company's stable supply of clinical and future products both at home and abroad.
Financial Division		1. Financial management. 2. Accounting management. 3. Listing and stock affairs management. 4. Rental tax planning. 5. Budget management.
Medical Law and Regulation Division		1. Application for registration of domestic medicament license. 2. Provide company pharmaceutical affairs laws and regulations information. 3. Application and change registration of druggist license. 4. Clinical license application and medicament license application.
Commercial Division		1. Responsible for short, medium and long term operating strategy planning, business marketing, and new drug market development. 2. Product commercialization management. 3. Product market trend assessment. 4. Technology transfer and product licensing. 5. Win over international partner.
Commercial Medicine Division		1. Assess drug indication and its potential patient groups. 2. Analyze the difficulty, scale and risk of carrying out phase I, II, III clinical trials for the drug. 3. Assessment on the emergent issues in the course of drug research and development, and strategy suggestion. 4. Introduce innovative concept related to drug research and development through internal and external seminar.
Information Division		1. Follow the operation and development strategy to plan and develop the information blueprint and structure. 2. Formulate information budget plan, and control and monitor budget outlays. 3. Establish information policies, standards and procedures.

Department	Major responsibility
	4. Develop information performance indicator, ensure the benefits of effective assessment information program in business improvement. 5. Plan and implement the Information Security Management System. 6. Design and implement information security solution, and protect the confidentiality, integrity and availability of information assets.

ii. Information on board of directors, supervisor, General Manager, vice presidents, directors, and the department heads

(i) Board of directors and supervisors

1. Board of directors and supervisor:

April 30, 2017 Unit: thousand shares; %

Title	Name	Gender	Nationality or place of registration	Date of first appointment	Date of appointment	Term of office	Shareholding upon appointment		Current shareholding		Current shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background)	Concurrent title in the Company or other companies currently	Other head, director or supervisor of relationship of spouse or within second-degree relatives or supervisor		
							Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio			Title	Name	Relationship
Chairman	Yi Tai Investment Co., Ltd.	Not applicable	ROC	June 27, 2016	June 27, 2016	3 years	25,765	15.05	25,765	14.97	0	0	0	0	Not applicable	NA	NA	NA	NA
Chairman	Yi Tai Investment Co., Ltd. Representative: Michael N. Chang	Male	ROC	June 27, 2016	June 27, 2016	3 years	0	0	2,361	1.37	0	0	5,892	3.43	Postdoctoral Research, Massachusetts Institute of Technology Doctor of Organic Chemistry, Brandeis University Founder and Chairman of Optimer Pharmaceuticals, Inc. Chief Science and Technology Advisor of NuSkin Enterprises Inc. Founder and Vice President of Pharmanex Inc. Chairman of Cinogen Pharmaceutical, Inc. Vice President of Pharmaceutical Department, ArQule, Inc. Director of Drug Development Division, Rhone-Poulenc Rorer, Inc. (Aventis) Deputy Director	Director of Amaran Biotechnology, Inc. Director of OBI Pharma USA, Inc. Director of Development Center for Biotechnology	NA	NA	NA

Title	Name	Gender	Nationality or place of registration	Date of first appointment	Date of appointment	Term of office	Shareholding upon appointment		Current shareholding		Current shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background)	Concurrent title in the Company or other companies currently	Other head, director or supervisor of relationship of spouse or within second-degree relatives or supervisor		
							Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio			Title	Name	Relationship
															of Department of Pharmaceutical Chemistry, Merck, Sharp & Dohme Co.Inc.				
Vice Chairman	Yi Tai Investment Co., Ltd. Representative: Tamon Tseng	Male	ROC	June 27, 2016	June 27, 2016	3 years	0	0	0	0	0	0	0	0	Master of Laws, University College London Supervisor of SinoPac Financial Holdings Co., Ltd. Supervisor of Bank SinoPac Co. Ltd. Specialist of Bureau of Foreign Trade, Ministry of Economic Affairs	Special Assistant of Legal Affairs Office, Ruentex Industries Ltd.. Juridical Person Director Representative of Run Cheng Investment Holding Co., Ltd. Juridical Person Director Representative of Sunny Friend Environmental Technology Co., Ltd. Juridical Person Supervisor Representative of Yi Thai Investment Co., Ltd. Juridical Person Director Representative of Sheng Cheng Investment Holding Co., Ltd. Juridical Person Director Representative of Ruentex Construction Co., Ltd. Chairman of Taiwan Transport Insurance Service Co., Ltd. Director of China Marine Surveyors & Sworn Measurers` Corp. Director of Juridical Person Mr. Yi Xunnuo Memorial Education Foundation Director of Run Hui Biotechnology Co., Ltd. Director of Run Hong	NA	NA	NA

Title	Name	Gender	Nationality or place of registration	Date of first appointment	Date of appointment	Term of office	Shareholding upon appointment		Current shareholding		Current shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background)	Concurrent title in the Company or other companies currently	Other head, director or supervisor of relationship of spouse or within second-degree relatives or supervisor		
							Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio			Title	Name	Relationship
																Biotechnology Co., Ltd. Director of Hao Ke Investment Holding Co., Ltd.			
Director	Sheng Cheng Investment Co., Ltd.	Not applicable	ROC	June 27, 2016	June 27, 2016	3 years	250	0.15	250	0.15	0	0	0	0	Not applicable	NA	NA	NA	NA
Director	Sheng Cheng Investment Co., Ltd. Representative: Lung-Yen Cho	Male	ROC	June 27, 2016	June 27, 2016	3 years	0	0	0	0	267	0.16	0	0	Accounting Department, National Taipei University Certified Public Accountant of Klynveld Peat Marwick Goerdeler Certified Public Accountant of Deloitte & Touche Director of Taiwan Institute Of Certified Public Accountants Director of Corporate Operation Association of the Republic of China Tax Collector of Taipei National Tax Administration, Ministry of Finance Clerk of Life Insurance Office, Central Trust of China	Special Assistant to President, Hui Hong Investment Co., Ltd. Juridical Person Director Representative of TaiMed Biologics Co., Ltd. Juridical Person Director Representative of British Cayman Islands Ruenvex Biotech, Inc. Juridical Person Director Representative of Tai Fu Biotechnology Co., Ltd. Supervisor of Run Hui Biotechnology Co., Ltd. Juridical Person Director Representative of British Cayman Islands RenBio Holdings Limited Juridical Person Director Representative of American RenBio Inc.	NA	NA	NA
Director	Sheng Cheng Investment Co., Ltd. Representative: Frank Chen	Male	ROC	June 27, 2016	June 27, 2016	3 years	0	0	800	0.46	20	0.01	0	0	Master degree from Graduate Institute of Business Administration, National Taiwan University Deputy General Manager of Investment and	Juridical Person Chairman Representative of TaiMed Biologics Co., Ltd. Juridical Person Chairman Representative of Taiwan Tai Fu Biotechnology Co.,	NA	NA	NA

Title	Name	Gender	Nationality or place of registration	Date of first appointment	Date of appointment	Term of office	Shareholding upon appointment		Current shareholding		Current shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background)	Concurrent title in the Company or other companies currently	Other head, director or supervisor of relationship of spouse or within second-degree relatives or supervisor		
							Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio			Title	Name	Relationship
															Special Assistant to President, Management Division, Ruentex Group	Ltd. Juridical Person Chairman Representative of Tanvex Biologics, Inc Chairman of TMB HK Services Limited Juridical Person Chairman Representative of TaiMed Biologics HK Limited Director of Juridical Person Mr. Yi Xunnuo Memorial Education Foundation Director of Yi ShuTien Medical Foundation Juridical Person Director Representative of Mithra Biotechnology Inc. Juridical Person Director Representative of Mass Solutions Technology Inc. Juridical Person Director Representative of Global Mobile Corp. Juridical Person Director of Amaran Biotechnology, Inc. Juridical Person Director of Diamond Biotechnology Investment Co., Ltd. Juridical Person Director of Diamond Capital Management Co., Ltd.			
Independent Director	Jerry Fong	Male	ROC	July 23, 2014	June 27, 2016	3 years	0	0	0	0	0	0	0	0	Jurum Doctor of Cornell University Master of Laws of Pennsylvania State University	Independent Director of ESC EliteGroup Co., Ltd. Independent Director of Cayman Eurocharm Holdings	NA	NA	NA

Title	Name	Gender	Nationality or place of registration	Date of first appointment	Date of appointment	Term of office	Shareholding upon appointment		Current shareholding		Current shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background)	Concurrent title in the Company or other companies currently	Other head, director or supervisor of relationship of spouse or within second-degree relatives or supervisor		
							Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio			Title	Name	Relationship
															President of Intellectual Property Institute, Director of Financial Law Research Center, College of Law, National Chengchi University Department Head of Financial Law Department and President of Law Institute, Chung Yuan Christian University Member of Science and Technology Rights Commission, National Science Council	Co., Ltd. Independent Director of Golden Bridge Electech Inc.			
Independent Director	Tony Chang	Male	ROC	July 23, 2014	June 27, 2016	3 years	0	0	0	0	0	0	0	0	Microbiology and Immunology Doctor of Temple University President and Academic Dean of Institute of Microbiology and Immunology, National Yang-Ming University Director of Research Business Division, Acting Director of Biotechnology and Pharmacology Institute, National Institutes of Health Director-General of The Chinese Society of Immunology	Distinguished Research Fellow of Institute of Molecular and Genetic Medicine, National Institutes of Health Chairman of Feng Chia University Adjunctive Professor of Institute of Microbiology and Immunology, National Yang-Ming University	NA	NA	NA

Title	Name	Gender	Nationality or place of registration	Date of first appointment	Date of appointment	Term of office	Shareholding upon appointment		Current shareholding		Current shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background)	Concurrent title in the Company or other companies currently	Other head, director or supervisor of relationship of spouse or within second-degree relatives or supervisor		
							Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio	Number of shares (thousand shares)	Shareholding ratio			Title	Name	Relationship
															Director-General of The Chinese Society of Cell and Molecular Biology Vice President of Asian-Pacific Organization for Cell Biology				
Independent Director	Wang Taichang	Male	ROC	June 27, 2016	June 27, 2016	3 years	0	0	0	0	0	0	0	0	PhD in Finance graduated from Wharton School, Pennsylvania State University Distinguished Professor of National Taiwan University Independent Director of First Financial Holding Co., Ltd. Director of TacBright Optronics Corp. Listing review member of Taiwan Stock Exchange OTC review member of Taipei Exchange Associate Professor of Accounting Department, National Taiwan University	Member of Remuneration Committee, Tah Tong Textile Co., Ltd. Consultant of Civil Servants' Retirement Pension Funds Management Committee Member of Telecommunications Enterprise Popularization Service Fund Management Committee, National Communications Commission Independent Director of Ruentex Industries Ltd.. Independent Director of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. Independent Director of TaiMed Biologics Inc.	NA	NA	NA

2. If director or supervisor is juridical person shareholder representative, the share proportion of such juridical person shareholder exceeds ten percent or list of shareholders of top ten share proportion:

(1) Major shareholders of juridical person shareholder

Base date: April 30, 2017

Name of juridical person shareholder	Major shareholders of juridical person shareholder	Shareholding ratio %
Yi Tai Investment Co., Ltd.	Ren Ying Industrial Co., Ltd.	85.10
	Ruentex Xing Co., Ltd.	14.90
Sheng Cheng Investment Co., Ltd.	Run Hua Dyeing Factory Co., Ltd.	48.98
	Ren Ying Industrial Co., Ltd.	23.81
	Ying Jia Investment Co., Ltd.	12.86
	Hui Hong Investment Co., Ltd.	9.90
	Xin'En Investment Co., Ltd.	4.45

(2) When major shareholders of juridical person shareholder are juridical person, major shareholders thereof

Base date: April 30, 2017

Name of juridical person	Major shareholders of juridical person	Shareholding ratio %
Run Hua Dyeing Factory Co., Ltd.	Ruentex Xing Co., Ltd.	19.55
	Ren Ying Industrial Co., Ltd.	19.14
	Changchun Investment Co., Ltd.	18.44
	Hui Hong Investment Co., Ltd.	17.96
	Yi Yanliang	13.70
	Wang Qifan	6.55
	Juridical Person Mr. Yi Xunnuo Memorial Education Foundation	4.40
	Yi Chong'en	0.26
Hui Hong Investment Co., Ltd.	Run Hua Dyeing Factory Co., Ltd.	63.53
	Ruentex Xing Co., Ltd.	19.93
	Yi Tai Investment Co., Ltd.	16.54
Ren Ying Industrial Co., Ltd.	Yi Yanliang	92.86
	Wang Qifan	7.14
Ruentex Xing Co., Ltd.	Yi Yanliang	99.997
	Wang Qifan	0.003
Xin'En Investment Co., Ltd.	Chen Yongfang	28.57
	Wang Mingyi	28.57
	Yang Wenjuan	28.57

	Huang Lijuan	14.29
Ying Jia Investment Co., Ltd.	Changchun Investment Co., Ltd.	75.86
	Run Hua Dyeing Factory Co., Ltd.	24.14

3. Professional knowledge possessed by director and supervisor, and their independence:

April 30, 2017

Condition / Name	Whether or not with over five years of work experience and the following professional qualifications			Independence conformance (notes 1)										Number of other public companies in which concurrently act as independent director
	Lecturer or above in the department of commercial affairs, legal affairs, financial affairs, accounting or those related company business in public and private colleges and universities	Judge, procurator, lawyer, accountant, or other professional and technical personnel having passed national examination and acquired certificate necessary for company business	Work experience in commercial affairs, legal affairs, financial affairs, accounting or necessary for company business	1	2	3	4	5	6	7	8	9	10	
Yi Tai Investment Co., Ltd. Representative: Michael N. Chang			✓	✓			✓	✓		✓	✓	✓		-
Yi Tai Investment Co., Ltd. Representative: Tamon Tseng			✓	✓		✓	✓		✓	✓	✓	✓		-
Sheng Cheng Investment Co., Ltd. Representative: Lung-Yen Cho		✓	✓	✓		✓	✓		✓	✓	✓	✓		-
Sheng Cheng Investment Co., Ltd. Representative: Frank Chen			✓	✓		✓	✓		✓	✓	✓	✓		-
Jerry Fong	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Tony Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Wang Taichang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Notes 1: If each director or supervisor is conforming to the following conditions two years before appointment and during the term of office, please tick "✓" in the blank below the code of each condition.

(1) Not the employee of the company or its affiliated enterprise.
(2) Not the director or supervisor of the company or its affiliated enterprise (except for the independent director set by the company or its parent company or subsidiary pursuant to this Act or local laws and decrees).
(3) Natural person shareholder holding over one percent of the total issued shares of the company or being the top ten shareholders not in the name of himself/herself and his/her spouse, minor children or other persons.
(4) Not the spouse, relatives within second degree or direct lineal relatives within third degree of the personnel listed in preceding three paragraphs.

(5) Not the director, supervisor or employee of the juridical person shareholder directly holding over five percent of total issued shares of the company; nor the director, supervisor or employee of the top five shareholding juridical person shareholder.
(6) Not the director, supervisor, manager or shareholder holding over five percent of shares of the specific company or institution having financial or business transactions with the company.
(7) Not the professional providing commercial, legal, financial or accounting etc. service or consultancy to the company or its affiliated enterprise; nor the entrepreneur, partner, director, supervisor, manager and its spouse of the sole proprietorship, partnership, company or institution. Except for the member of Remuneration Committee performing functions and powers according to Article 7 of "Measures for Establishment of Company Remuneration Committee upon Going Public or Transaction in Business Place of Securities Dealer and Exercising Functions and Powers"
(8) Not having spouse relationship or relatives relationship within second degree with other directors.
(9) Not one of the circumstances as prescribed in Article 30 of Company Act.
(10) The government, juridical person or its representative is not appointed pursuant to Article 27 of Company Act.

(ii) Information of General Manager, Deputy General Manager, Assistant General Manager, and head of each department and branch

April 30, 2017 Unit: thousand shares; %

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
General Manager	Amy Huang	Female	ROC	April 2013	222	0.13	0	0	0	0	Department of Pharmacy, National Taiwan University Global Vice President and Director in China and Hong Kong Region, Global Vice President and Director in Taiwan Region, Dutch GlaxoSmithKline Pharmaceutical Factory Co., Ltd (GSK) General Manager, Marketing Director of SmithKline Beecham (SB) Product Registration and Marketing Manager of Sheng Qiang Industrial Co., Ltd.	Independent Director and Remuneration Committee Member of Taiwan Liposome Company. Consultant of Sheng Bao Biotechnology Co., Ltd. Director of OBI Pharma Limited	NA	NA	NA

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
Chief Scientific Officer	Tony Yu	Male	ROC	January 2012	833	0.48	50	0.03	0	0	Doctor of Pharmacy of University of Michigan Doctor of Clinical Pharmacy of University of Florida General Manager of New Drug Business Department, Chief Scientific Officer, MICROBIO Co., Ltd. President, Chief Scientific Officer, Director and Co-founder of Canyon Pharmaceuticals Inc. Deputy Director of Bristol Myers Squibb Institute Director and Chairman of Hong Kong YU Enterprises, Ltd.	NA	NA	NA	NA

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
Chief Operating Officer	Max Chan	Male	ROC	January 2017	0	0	0	0	0	0	MBA from University of Illinois-Urbana-Champaign Master degree in finance, National Taiwan University Chief Financial Officer of JHL Biotech, Inc. Chief Financial Officer of TaiGen Biotechnology Chief Financial Officer of Himax Technologies, Inc. Financial Manager of Intel Capital Investment Manager of China Development	NA	NA	NA	NA
Vice President, Quality Assurance & Supply Chain	Richard Tseng	Male	ROC	January 2012	304	0.18	0	0	0	0	Doctor of Clinical Chemistry, Cleveland State University Deputy Chief Executive Officer of Amaran Biotechnology, Inc. Senior QA Director of NuSkin Enterprises Inc. Technology Director of American Home Product QA Manager of Taiwan Cyanamide Co., Ltd.	NA	NA	NA	NA

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
Vice President, Finance	CT Wang	Male	ROC	March, 2016	63	0.04	0	0	0	0	Master of Accounting Institute, Master of Interdisciplinarity Institute, National Chengchi University Director of Chairman Office, Walsin Co., Ltd. Deputy General Manager of PwC Taiwan Assistant General Manager of Deloitte & Touche	Supervisor of SUMEEKO Industries Co., Ltd.	NA	NA	NA
Vice President, Medical and Clinical Development	Cristina Chang	Female	ROC	March, 2016	0	0	0	0	0	0	Academy of Medical Science, National University of Asuncion Medical Director of Sai Ji Medical Director of Sanofi Medical Director of Abbott Laboratories Manager of Medical Affairs, Astor Health Leacom Medical Advisor of Novartis	NA	NA	NA	NA
Vice President, Statistic & Biometrics	Sophia Lee	Female	ROC	July, 2016	0	0	0	0	0	0	PhD in Biostatistics, Boston University Director in Statistics, Biogen Senior Biostatistician, Center for Biostatistics in AIDS Research, Harvard School of Public Health	NA	NA	NA	NA

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
Sr. Director, R&D	Jiann-Shiun Lai	Male	ROC	March, 2014	79	0.05	0	0	0	0	Doctor of Inheritance Institute, State University of New York at Stony Brook Biotechnology Pharmaceuticals and Livelihood Materials Consultant, Technology Division, Ministry of Economic Affairs Group Leader of Protein engineering Group, Biopharmaceutical Institute, Development Center for Biotechnology Researcher of Biomedical Institute, Academia Sinica Director of Corporation Taiwan Antibody Association	NA	NA	NA	NA
Director, Human Resources & Administration	Rose Lo	Female	ROC	June, 2013	0	0	0	0	0	0	Master of Business Administration, De Montfort University Human Resources Consultant of Novartis Co., Ltd. Senior Consultant of Mercer Human Resources Consulting Co., Ltd. Global Human Resources Manager of Spirox Corporation	NA	NA	NA	NA

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
Director, Commercial Medicine	Jon Jih Liao	Male	ROC	October, 2014	0	0	0	0	0	0	Graduated from Department of Medicine of Taiwan University Medical Advisor of Taiwan Lilly Medical Division Medical Advisor of Taiwan Bristol Medical Division Head of Clinical Group, Center for Drug Evaluation Doctor-in-charge, Dalin Tzu Chi Hospital Part-time Doctor-in-charge, National Taiwan University Hospital	NA	NA	NA	NA
Director, Clinical Operation	Maggie Yang	Female	ROC	July 2013	48	0.03	0	0	0	0	Master of Institute of Medical and Veterinary Science, National Chung Hsing University Clinical Research Manager/Quality Manager, Deputy Director of Clinical Research Division, Pfizer Taiwan Clinical Research Manager of GlaxoSmithKline	NA	NA	NA	NA

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
Director, R&D	Edward Hsieh	Male	ROC	March, 2014	33	0.02	0	0	0	0	Doctor of Chemistry Institute, Simon Fraser University Examiner/Researcher of Center for Drug Evaluation Deputy General Manager of Ningbo Smart Pharmaceutical Co., Ltd. Researcher of Industrial Technology Research Institute	NA	NA	NA	NA
Director, Commercial	Pedro Chen	Male	ROC	March, 2016	0	0	0	0	0	0	Graduated from Department of Pharmacy, China Medical University Head of Infectious Disease Unit, Taiwan GlaxoSmithKline Pharmaceutical Factory	NA	NA	NA	NA

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
Director, Investor Relati	Gus Adapon	Male	Philippine	March, 2016	16	0.01	0	0	0	0	Master of Business Administration, University of Chicago Booth School of Business GlaxoSmithKline China and Hong Kong Enterprise Development Department Business Excellence Department, Dutch GlaxoSmithKline Pharmaceutical Factory Taiwan Branch Communication Consultant of Taiwan External Trade Development Council Research Analyst of Yuanta Securities Network Marketing Specialist of Hess International Educational Group Equity Research Analyst of Clemente Capital, Inc.	NA	NA	NA	NA

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
Director, Public Relations & Government Affairs	Sharon Lee	Female	ROC	March, 2016	26	0.02	0	0	0	0	MSc Public Health Research, Tulane University Media Director of Show Chwan Health Care System Secretary General of Cross-Strait Health Care and Leisure Activities Association Director of Life and Comprehensive News Center, Min Sheng Daily Deputy Editor-in-Chief of Europe Journal	NA	NA	NA	NA
Director, Legal Affairs and Intellectual Property	Jay Chen	Male	ROC	March, 2017	3	0	0	0	0	0	Master of Laws, American University Master of Business Administration, University of Birmingham Legal & HR Manager of JPC Group Legal Manager of TTY Biopharm. Legal Sub-Manager of Chailease Finance Co., Ltd. Legal Personnel of Chimei /ASUS	NA	NA	NA	NA

Title	Name	Gender	Nationality	Date of appointment (duty assumption)	Shareholding		Shareholding of spouse, minor children		Shareholding in the name of other person		Major experience (education background) (notes 2)	Concurrent title in other companies currently	Manager of spouse relationship or relationship within second-degree relatives		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Number of shares
Manager, Auditing Office	Neo Chien	Male	ROC	March, 2011	16	0.01	0	0	0	0	Department of Economics, National Chung Hsing University Deputy General Manager of Auditing Department, Start Travel Co., Ltd. Deputy General Manager, Auditing Office, Partyworld KTV Co., Ltd. Auditing Department of Deloitte & Touche	NA	NA	NA	NA

(iii) Remuneration of Director, Supervisor, General Manager and Deputy General Manager

1. Remuneration paid to the Director in the last year (2016)

Unit: NT$thousand

Title	Name	Director remuneration								Proportion of total amount of A, B, C and D in net profit after tax (%)		Relevant remuneration received by part-time employee								Proportion of total amount of A, B, C, D, E, F and G in net profit after tax (%)		Whether or not received remuneration from reinvestment enterprise other than the subsidiary
		Remuneration (A)		Retirement pension (B)		Reward in surplus distribution (C)		Business execution costs (D)				Salary, bonus and special disbursement etc. (E)		Retirement pension (F)		Employee remuneration (G)						
																The Company		All companies in financial report				
		The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies in financial report	
Chairman	Yi Tai Investment Co., Ltd. Representative: Michael N. Chang	2,508	2,508	-	-	-	-	35	35	(0.23)	(0.23)	-	-	-	-	-	-	-	-	(0.23)	(0.23)	NA
Vice Chairman	Yi Tai Investment Co., Ltd. Representative: Tamon Tseng	-	-	-	-	-	-	30	30	-	-	-	-	-	-	-	-	-	-	-	-	NA
Director	Sheng Cheng Investment Co., Ltd. Representative: Lung-Yen Cho	-	-	-	-	-	-	30	30	-	-	-	-	-	-	-	-	-	-	-	-	NA
Director	Sheng Cheng Investment Co., Ltd. Representative: Frank Chen	-	-	-	-	-	-	15	15	-	-	-	-	-	-	-	-	-	-	-	-	NA

Vice Chairman	Youe-Kong Shue (Notes)	1,548	1,548	-	-	-	-	25	25	(0.14)	(0.14)	4,178	4,178	-	-	-	-	-	-	(0.52)	(0.52)	NA
Director	Alpha Corporate Limited Representative: Howard Lee (Notes)	-	-	-	-	-	-	25	25	-	-	-	-	-	-	-	-	-	-	-	-	NA
Independent Director	Jimmy Tsay (Notes)	350	-	-	-	-	-	50	50	(0.04)	(0.04)	-	-	-	-	-	-	-	-	(0.04)	(0.04)	NA
Independent Director	Tony Chang	600	-	-	-	-	-	90	90	(0.06)	(0.06)	-	-	-	-	-	-	-	-	(0.06)	(0.06)	NA
Independent Director	Jerry Fong	600	-	-	-	-	-	110	110	(0.06)	(0.06)	-	-	-	-	-	-	-	-	(0.06)	(0.06)	NA
Independent Director	Wang Taichang	250	-	-	-	-	-	40	40	(0.03)	(0.03)	-	-	-	-	-	-	-	-	(0.03)	(0.03)	NA
*Apart from those disclosed in the above table, the remuneration received by company directors for providing service to all companies in financial report in recent years (such as taking a post as an adviser other than an employee etc.): N.A.																						

Notes: former, overall re-election of directors on June 27, 2016.

Remuneration Numerical Range Table

Numerical range of remuneration paid to each director of the Company	Name of director			
	Total remuneration of first four items (A+B+C+D)		Total remuneration of first seven items (A+B+C+D+E+F+G)	
	The Company	All companies in financial report	The Company	All companies in financial report Company
Below NT$2,000,000	Tamon Tseng, Lung-Yen Cho, Frank Chen, Youe-Kong Shue, Howard Lee, Jimmy Tsay, Tony Chang, Jerry Fong, Wang Taichang	Tamon Tseng, Lung-Yen Cho, Frank Chen, Youe-Kong Shue, Howard Lee, Jimmy Tsay, Tony Chang, Jerry Fong, Wang Taichang	Tamon Tseng, Lung-Yen Cho, Frank Chen, Howard Lee, Jimmy Tsay, Tony Chang, Jerry Fong, Wang Taichang	Tamon Tseng, Lung-Yen Cho, Frank Chen, Howard Lee, Jimmy Tsay, Tony Chang, Jerry Fong, Wang Taichang
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)	Michael N. Chang	Michael N. Chang	Michael N. Chang	Michael N. Chang
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)	NA	NA	Youe-Kong Shue	Youe-Kong Shue
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)	NA	NA	NA	NA
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)	NA	NA	NA	NA
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)	NA	NA	NA	NA
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)	NA	NA	NA	NA
Above NT$100,000,000	NA	NA	NA	NA
Total	10 persons	10 persons	10 persons	10 persons

2. Remuneration of supervisor in the last year (2016): not applicable.

3. Remuneration paid to General Manager and Vice President in the last year (2016):

Unit: NT$thousand

Title	Name	Salary (A)		Retirement pension (B)		Bonus and special disbursement etc. (C)		Amount of employee remuneration (D)				Proportion of total amount of A, B, C and D in net profit after tax (%)		Whether or not received remuneration from reinvestment enterprise other than the subsidiary
		The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company		All companies in financial report		The Company	All companies in financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Amy Huang	38,028	38,028	0	0	0	0	0	0	0	0	(3.43)	(3.43)	NA
Chief Operating Officer	Joanna Meng													
Chief Scientific Officer	Tony Yu													
Vice President, Quality Assurance & Supply Chain	Richard Tseng													
Vice President, Finance	CT Wang													
Chief Medical Officer (Resigned)	Nathan Chen													
Vice President, Translational Medicine, R&D Division	Phoebe Yu													
Vice President, Medical and Clinical Development	Cristina Chang													

Vice President, Statistics and Biometrics	Sophia Lee													

Remuneration Numerical Range Table

Numerical range of remuneration paid to each General Manager and Deputy General Manager of the Company	Name of General Manager and Deputy General Manager	
	The Company	All companies in financial report
Below NT$2,000,000	NA	NA
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)	Joanna Meng, Tony Yu , Richard Tseng, CT Wang, Nathan Chen, Phoebe Yu, Cristina Chang, Max Chan	Joanna Meng, Tony Yu , Richard Tseng, CT Wang, Nathan Chen, Phoebe Yu, Cristina Chang, Max Chan
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)	Amy Huang	Amy Huang
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)	NA	NA
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)	NA	NA
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)	NA	NA
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)	NA	NA
Above NT$100,000,000	NA	NA
Total	9 persons	9 persons

(iv) Name of manager distributed with employee bonus and distribution circumstance: NA.

(v) Make respective comparison analysis on the proportion of total remuneration paid to the directors, supervisors, General Managers, Deputy General Managers of the Company in the last two years by the Company and all companies in consolidated statement in the net profit after tax of individual and consolidated financial report, and describe the policy, standard and combination of remuneration payment, procedures of determining remuneration and its relevance to operation performance:

The standard or structure and system of the Company in paying remuneration to the director, General Manager and Deputy General Manager will be adjusted according to the future risk factors, and it shall not guide director and General Manager to engage in the action increasing company risk for the pursuit of remuneration, so as to avoid losses of the Company after paying remuneration. Pursuant to Article 20 of Articles of Incorporation of the Company, Board of Directors will prepare distribution proposal and submit it to Shareholders' Meeting for acknowledgment before distribution; remuneration of General Manager includes salary, bonus and employee bonus etc., and it will be handled according to relevant remuneration system of the Company, the remuneration paid to the directors and supervisors by the Company gives consideration to their participation degree and contribution value in company operation.

Unit: NT$ thousand

Annual remuneration / Company type	2015		2016	
	Total remuneration paid to director, General Manager and Deputy General Manager of the Company	Proportion of net profit after tax(%)	Total remuneration paid to director, General Manager and Deputy General Manager of the Company	Proportion of net profit after tax(%)
The Company	40,384	(4.29)	48,512	(4.37)
All companies in consolidated statement	40,384	(4.29)	48,512	(4.37)

iii. Corporate governance operation situation

(i) Board of Directors operation situation

7 (A) Board of Directors meetings were convened in 2016, attending situations of directors are as follows:

Title	Name	Actual attendance times (B)	Delegated attendance Times	Actual attendance rate (%) [B/A]	Notes
Chairman	Michael N. Chang	4	0	100	Former, overall re-election of directors on June 27, 2016.
Vice Chairman	Hui Hong Investment Co., Ltd. Representative: Tamon Tseng	3	1	75	Former, overall re-election of directors on June 27, 2016.
Director	Hui Hong Investment Co., Ltd. Representative: Lung-Yen Cho	4	0	100	Former, overall re-election of directors on June 27, 2016.
Vice Chairman	Youe-Kong Shue	4	0	100	Former, overall re-election of directors on June 27, 2016.
Director	Alpha Corporate Limited Representative: Howard Lee	4	0	100	Former, overall re-election of directors on June 27, 2016.
Independent Director	Jimmy Tsay	4	0	100	Former, overall re-election of directors on June 27, 2016.
Independent Director	Jerry Fong	6	1	86	Reappointed in overall re-election of directors on June 27, 2016.
Independent Director	Tony Chang	6	0	86	Reappointed in overall re-election of

					directors on June 27, 2016.
Chairman	Yi Tai Investment Co., Ltd. Representative: Michael N. Chang	3	0	100	Newly appointed in overall re-election of directors on June 27, 2016.
Director	Yi Tai Investment Co., Ltd. Representative: Tamon Tseng	3	0	100	Newly appointed in overall re-election of directors on June 27, 2016.
Director	Sheng Cheng Investment Co., Ltd. Representative: Lung-Yen Cho	2	0	67	Newly appointed in overall re-election of directors on June 27, 2016.
Director	Sheng Cheng Investment Co., Ltd. Representative: Frank Chen	3	0	100	Newly appointed in overall re-election of directors on June 27, 2016.
Independent Director	Wang Taichang	3	0	100	Newly appointed in overall re-election of directors on June 27, 2016.

Other matters should be recorded:

i. For matters specified in 3 of Article 14 of Securities Exchange Act, and other resolutions of Board of Directors which independent director opposes or reserves opinion and with record or written statement, the date of Board of Directors, stage, proposal content, opinions of all independent directors, and the Company's handling of independent directors' opinion shall be specified:

Date of the meeting: (Stage)	Proposal contents	Opinions of all independent directors and the company's handling of independent directors' opinion
December 15, 2015 (The 25th meeting of the fourth session)	The Company plans to select Amaran Biotechnology, Inc. as the business (or manufacturing) strategic partner.	Before convening Board of Directors Meeting, all independent directors unanimously agree to authorize Youe-Kong Shue, the Vice Chairman, to call together three independent directors and director Howard Lee to establish a five-member Special Committee, so as to work out the cooperation strategy, structure and method between the Company and Amaran for discussion and resolution by Board of Directors of the Company. Handling of independent directors'

			opinion: after agreed and passed by the five-member Special Committee, it will be proposed to Board of Directors Meeting for resolution.	
	January 22, 2016 (The 26th meeting of the fourth session)	Discussion of business (or manufacturing) strategic cooperation matters and supply agreement between the Company and Amaran Biotechnology, Inc., planning to purchase raw materials from Amaran Biotechnology, Inc. and signing of equipment purchase agreement.	All independent directors unanimously agree to authorize Youe-Kong Shue, the Vice Chairman, to call together three independent directors and director Howard Lee to establish a five-member Special Committee to first discuss the proposals between the Company and Amaran before convening Board of Directors Meeting. Handling of independent directors' opinion: after agreed and passed by the five-member Special Committee, it will be proposed to Board of Directors Meeting for resolution.	
	November 11, 2016 (The 3rd meeting of the fifth session)	The Company plans to purchase raw materials from Amaran Biotechnology, Inc.	All independent directors unanimously agree upon the extemporary motions proposed by director Frank Chen regarding the Company's plan to purchase raw materials from Amaran. Due to the conflict of interest, the Chairman Michael N. Chang, director Tamon Tseng, director Lung-Yen Cho, and director Frank Chen don't participate in the discussion and voting of this case, the meeting is presided over by independent director Wang Taichang, hence this case is only discussed and resolved by all independent directors. After independent director Wang Taichang, the acting chairperson in this case, has inquired about the opinions of other two independent directors, it is resolved that, the supplier Amaran in this case is the interested party of the Company, such purchase case must conform to the assessment of interested party transaction procedures, and factors proposed in the meeting shall be considered upon execution. Handling of independent directors' opinion: the Company has executed this purchase case after being reported to and passed in the Board of Directors Meeting on March 9, 2017.	
	May 13, 2016 (The 29th meeting of the fourth session)	Approval on planning to carry out long-term fund-raising.	Approved and passed by all independent directors.	

March 9, 2017 (The 4th meeting of the fifth session)	Approval on amendments to the "Regulations Governing the Acquisition and Disposal of Assets" of the Company. Approval on amendments to the "Internal Control System" of the Company.		

ii. For the director's avoidance of proposal with conflict of interest, the name of director, proposal content, reason for conflict of interest and participation in voting shall be specified:

Date	Name of director	Proposal contents	Reason for conflict of interest	Voting situation
January 22, 2016	Michael N. Chang Lung-Yen Cho	Discussion of business (or manufacturing) strategic cooperation matters and supply agreement between the Company and Amaran Biotechnology, Inc., planning to purchase raw materials from Amaran Biotechnology, Inc. and signing of equipment purchase agreement.	Chairman Michael N. Chang is the director of Amaran, and director Lung-Yen Cho is the legal representative of Amaran's juridical person director Hui Hong Investment Co., Ltd. in the Company.	Chairman Michael N. Chang and director Lung-Yen Cho have evaded pursuant to law and don't participate in the discussion and voting of this case. Per resolution of attending directors on the spot as requested by the acting chairman, this case has been passed without objection.
May 13, 2016	Michael N. Chang Howard Lee	Propose to require Alpha Company, director of the Company, to exercise disgorgement of profit.	Chairman Michael N. Chang is the interested party. Director Howard Lee is the legal representative of juridical person director Alpha Company.	Director Michael N. Chang and director Howard Lee have evaded the meeting pursuant to law and don't participate in the discussion and resolution. After Vice Chairman Youe-Kong Shue, the acting chairperson, has inquired about the opinions of attending directors on the spot, this case has been passed without objection.
May 13, 2016	Jerry Fong Tony Chang Tamon Tseng Lung-Yen Cho	Review the qualification of independent director candidates.	Mr. Jerry Fong and Mr. Tony Chang are the concerned parties. The nominator Hui Hong Investment Co., Ltd. is the juridical person director of the Company, Mr. Tamon Tseng and Mr. Lung-Yen Cho are the legal representatives of Hui Hong Investment Co., Ltd.	The nominated candidates for independent director Mr. Jerry Fong and Mr. Tony Chang, and Mr. Tamon Tseng and Mr. Lung-Yen Cho, representatives of juridical person director Hui Hong Investment Co., Ltd. (the shareholder nominator with one percent shareholding), have evaded the review and resolution of this proposal pursuant to law.

				Per inquiry about the opinions of attending directors on the spot by the chairperson, this case has been passed without objection.
November 11, 2016	Tamon Tseng	Election of Vice Chairman	Director Tamon Tseng is the concerned party.	Chairman Michael N. Chang nominates director Tamon Tseng as the Vice Chairman. Director Tamon Tseng have evaded pursuant to law and doesn't participate in the discussion and voting of this case. Per inquiry about the opinions of attending directors on the spot by the chairperson, this case has been passed without objection.
November 11, 2016	Michael N. Chang Tamon Tseng Lung-Yen Cho Frank Chen	The Company plans to purchase raw materials from Amaran Biotechnology, Inc.	Chairman Michael N. Chang is the director of Sun Ya, and director Frank Chen is the legal representative of Amaran's juridical person director Hui Hong Investment Co., Ltd. in the Company's juridical person director Sheng Cheng Investment Co., Ltd. Director Tamon Tseng and director Lung-Yen Cho are the interested parties of Ruentex Group.	Due to the conflict of interest, the Chairman Michael N. Chang, director Tamon Tseng, director Lung-Yen Cho, and director Frank Chen don't participate in the discussion and voting of this case, the meeting is presided over by independent director Wang Taichang. After independent director Wang Taichang, the acting chairperson in this case, has inquired about the opinions of other two independent directors, this purchase case shall consider the proposed factors upon execution.

iii. The objective of strengthening the functions and powers of Board of Directors (such as setting Audit Committee, improving information transparency etc.) in the current and last year and assessment on execution situation:

1. The Company has become OTC on March 23, 2015, all operations of Board of Directors shall be handled according to relevant laws and regulations. In order to strengthen corporate governance, the Company has established the M&A Special Committee with three independent directors on January 18, 2017.
2. The Company sets three independent directors, namely Dr. Jerry Fong, Dr. Tony Chang and Dr. Wang Taichang respectively, who have abundant professional capabilities and experience in the fields of law and intellectual property, biomedical research and development, accounting and finance etc., and will provide good suggestions on relevant proposals of Board of Directors and company operations.
3. All members of current Board of Directors of the Company have taken refresher courses related to corporate governance.
4. In order to regularly review the efficiency of Board of Directors, the Company has formulated Board of

Directors Performance Assessment Measures and its assessment method in 2016, and has completed the performance assessment in 2016 in the first quarter of 2016.

5. PwC Taiwan is appointed for auditing and certifying the financial reports of the Company, all information disclosures as required by laws and decrees are completed accurately in due time, and dedicated person is designated to be responsible for collection and disclosure of company information. Spokesman system is established to ensure timely and proper disclosure of important information. Apart from the linkage to mops.twse.com.tw, the website of the Company will also timely update relevant activities, announcements and financial information for the sake of reference by shareholders and interested parties on financial business related information.

(ii) Operation situation of Audit Committee or supervisor's participation in Board of Directors:

1. Operation situation of Audit Committee: 6 (A) Audit Committee meetings were convened in 2016, attending situations of independent directors are as follows:

Title	Name	Actual attendance times (B)	Delegated attendance times	Actual attendance rate (%) (B/A) (notes)	Notes
Chairperson	Jerry Fong	6	0	100	Reappointed in overall re-election on June 27, 2016.
Committee member	Jimmy Tsay	3	0	100	Former, overall re-election on June 27, 2016.
Committee member	Tony Chang	6	0	100	Reappointed in overall re-election on June 27, 2016.
Committee member	Wang Taichang	3	0	100	Newly appointed in overall re-election on June 27, 2016.

Other matters should be recorded:

i. For matters listed in 5 of Article 14, Securities Exchange Act and other resolution matters not passed by Audit Committee but agreed by more than two third of all directors, the date of Board of Directors, stage, proposal content, resolution results of Audit Committee, and the Company's handling of Audit Committee's opinion shall be specified:

Date of the meeting: (Stage)	Proposal contents	Opinions of all independent directors and the company's handling of independent directors' opinion
March 25, 2016 (The 15th meeting of the first session)	Approval on 2015 financial statements	Approved and passed by all independent directors.
May 13, 2016 (The 16th meeting of the first session)	Approval on planning to carry out long-term fund-raising.	

August 12, 2016 (The 2nd meeting of the first session)	Approval on financial statements in the second quarter of 2016	
March 9, 2017 (The 4th meeting of the second session)	Approval on 2016 financial statements Approval on the amendments to the "Regulations Governing the Acquisition and Disposal of Assets" of the Company. Approval on the amendments to the "Internal Control System" of the Company.	

ii. For the independent director's avoidance of proposal with conflict of interest, the name of independent director, proposal content, and reason for conflict of interest and participation in voting shall be specified: NA.

iii. Communication circumstances (shall include the major matters, method and result etc. of communication regarding financial and business situations of the company) between independent director and internal audit supervisor and accountant.

Date	Communication method	Communication object	Communication matter	Communication result
January 22, 2016	Audit Committee	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted
January 22, 2016	Board of Directors	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted
March 25, 2016	Audit Committee	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted
March 25, 2016	Audit Committee	Accountant	PwC Taiwan's report on the completion stage of auditing 2015 closing statements consolidated financial reports and the communication matters with governance units.	Noted
March 25, 2016	Board of Directors	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted
March 25, 2016	Board of Directors	Accountant	PwC Taiwan's report on the completion stage of auditing 2015 closing statements consolidated financial reports and the communication matters with governance units.	Noted
March 25, 2016	Board of Directors	Internal audit supervisor	Acknowledgment of 2015 "Internal Control System Statement" of the Company.	Noted
May 13, 2016	Audit Committee	Accountant	PwC Taiwan's report on the completion stage of auditing financial statements in the first quarter of 2016 and the communication matters with governance units.	Noted
May 13, 2016	Board of Directors	Accountant	PwC Taiwan's report on the completion stage of auditing financial statements in the first quarter of 2016 and the communication matters with governance units.	Noted
August 12, 2016	Audit Committee	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted
August 12, 2016	Audit Committee	Accountant	PwC Taiwan's report on the completion stage of auditing semi-annual financial statements of 2016 and the communication matters with governance units.	Noted
August 12, 2016	Board of Directors	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted

August 12, 2016	Board of Directors	Accountant	PwC Taiwan's report on the completion stage of auditing the third quarter financial statements of 2016 and the communication matters with governance units.	Noted
November 11, 2016	Audit Committee	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted
November 11, 2016	Audit Committee	Accountant	PwC Taiwan's report on the completion stage of auditing financial statements in the third quarter of 2016 and the communication matters with governance units.	Noted
November 11, 2016	Audit Committee	Internal audit supervisor	Auditing Department plans to propose the 2017 audit plan of the Company.	Execute after passing the resolution of Board of Directors
November 11, 2016	Board of Directors	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted
November 11, 2016	Board of Directors	Accountant	PwC Taiwan's report on the completion stage of auditing financial statements in the third quarter of 2016 and the communication matters with governance units.	Noted
November 11, 2016	Board of Directors	Internal audit supervisor	Auditing Department plans to propose the 2017 audit plan of the Company.	Noted
March 9, 2017	Audit Committee	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted
March 9, 2017	Audit Committee	Accountant	PwC Taiwan's report on the completion stage of auditing 2016 closing statements consolidated financial reports and the communication matters with governance units.	Noted
March 9, 2017	Board of Directors	Internal audit supervisor	Internal audit supervisor's progress report according to annual audit plan.	Noted
March 9, 2017	Board of Directors	Accountant	PwC Taiwan's report on the completion stage of auditing 2016 closing statements consolidated financial reports and the communication matters with governance units.	Noted
March 9, 2017	Board of Directors	Internal audit supervisor	2016 "Internal Control System Statement" acknowledgment.	Noted

2. Operation situation of supervisor's participation in Board of Directors: Not applicable.

(iii) Operation situation of corporate governance and its difference from Listed Company Governance Best Practice Principles and the reason therefor:

Assessment item	Operation situation			Difference from Listed Company Governance Best Practice Principles and the reason therefor
	Yes	No	Description abstract	
i. Whether the Company has formulated and disclosed the Corporate Governance Best Practice Principles			Currently the Company has formulated the Corporate Governance Best Practice Principles and disclosed it at the company website, besides, the Company has established Rules of Procedure for Shareholders' Meetings, Regulations	There is no significant difference yet.

Assessment item	Operation situation			Difference from Listed Company Governance Best Practice Principles and the reason therefor
	Yes	No	Description abstract	
according to the "Listed Company Governance Best Practice Principles"?			Governing Procedure for Board of Directors Meetings, Procedures for Election of Directors, internal control system and all kinds of administrative measures and systems etc., so as to promote the operation of corporate governance based on that.	
ii. Company equity structure and shareholders' rights and interests (i) Whether the Company has formulated internal operation procedures to handle shareholders' suggestion, doubt, dispute and litigation matters, and implement it according to such procedures? (ii) Whether the Company has mastered the major shareholders of actual controlling company and the final controller list of major shareholders? (iii) Whether the Company has established and executed the risk control and firewall mechanism with affiliated enterprises. (iv) Whether the Company has formulated internal regulation to prohibit insider of the Company from utilizing undisclosed information for the securities transaction?			(i) The Company has set spokesman and acting spokesman to handle issues such as shareholders' suggestion or dispute etc., if otherwise involved in legal issues, it will be transferred to Legal Department for handling. (ii) The Company has mastered the register of shareholders provided by stock affairs agency. (iii) The Company has formulated relevant administrative measures, and will make amendment in due time in respond to the business necessity and according to the company operation and development in the future. (iv) The Company has formulated the "Procedures for Handling Material Inside Information" to explicitly prohibit insider of the Company from utilizing undisclosed information for the securities transaction.	There is no significant difference yet.
iii. Board of Directors' composition and responsibility (i) Whether the Board of Directors has formulated diversified policy for the member composition and implemented it?			(i) The "Procedures for Election of Directors" and "Corporate Governance Best Practice Principles" of the Company explicitly stipulate the diversity policy for composition of Board of Directors members and disclose it at company website and mops.twse.com.tw, directors of the Company have different professional backgrounds, and members of the fifth session Board of Directors possess knowledge, skills and accomplishments necessary for duty execution.	There is no significant difference yet.

Assessment item	Operation situation			Difference from Listed Company Governance Best Practice Principles and the reason therefor
	Yes	No	Description abstract	
(ii) Apart from setting Remuneration Committee and Audit Committee pursuant to law, whether the Company is willing to set other functional committees? (iii) Whether the Company has formulated Board of Directors Performance Assessment Measures and its assessment method, and regularly carries out performance assessment every year? (iv) Whether the Company has regularly assessed the independence of certified public accountant?			<u>Finance</u> <u>Law</u> <u>Industry</u> <u>Management</u> <u>International</u> Michael N. Chang: V V V Tamon Tseng: V V V Lung-Yen Cho: V V V Frank Chen: V V V Jerry Fong: V V V V Tony Chang: V V V Wang Taichang: V V V (ii) Apart from setting Remuneration Committee and Audit Committee pursuant to law, the Company also set M&A Special Committee and organization regulations in 2016, and the M&A Special Committee comprising of three independent directors was established on January 18, 2017. Other corporate governance operations of the Company are handled by each department respectively according to its function and power, in the future, other committee may be set after further assessment if necessary. (iii) In order to regularly review the efficiency of Board of Directors and improve the degree of corporate governance, the Company has formulated the "Board of Directors Performance Assessment Measures" and its assessment method in 2016, and executes Board of Directors performance assessment at least once a year. The 2016 performance assessment has been completed in the first quarter of 2017. The scope of this assessment includes individual board member and Board of Directors. One is self-assessment of board members, assessment on six major aspects (including master of company objective and task, cognition of director duties, degree of participation in company operation, internal relationship operation and communication, director's profession and continuing education, internal control etc.) containing 25 items in the form of questionnaire, and all performances are good. The other is Board of Directors performance assessment, assessment on five major aspects (including degree of participation in company operation, improvement of the quality of Board of Directors resolution, composition and structure of Board of Directors, director's election and appointment and continuing education, internal control etc.) containing 48 items in the form of questionnaire, and all performances are good. The Company will review the items with poor scores for improvement in the coming year. In the coming year, under reasonable cost efficiency, the Company will consider the feasibility	

Assessment item	Operation situation			Difference from Listed Company Governance Best Practice Principles and the reason therefor
	Yes	No	Description abstract	
			and cycle of appointing external professional institution for execution. (iv) Audit Committee of the Company conducts self-assessment on the independence of affiliated certified public accountants ever year, per assessment, certified public accountants of the Company do not take the post of director or independent director, interested party of the Company, nor are shareholders of the Company, nor receive payment from the Company, so the independence of certified public accountants is of no doubt.	
iv. Whether or not the listed company sets corporate governance dedicated (part-time) unit or person to be responsible for corporate governance related affairs (including but not limited to provide directors and supervisors necessary materials for business execution, handle matters related to Board of Directors Meeting and Shareholders' Meeting pursuant to law, handle company registration and change registration, and prepare minute books for Board of Directors Meeting and Shareholders' Meeting etc.)?			The Company has specific promotion plan for fulfilling corporate governance, and has formulated Corporate Governance Best Practice Principles and disclose it in the company website; meanwhile, the Company continues to update the latest amended regulations related to corporate governance; currently the Financial Division of the company is responsible for handling affairs related to corporate governance, and the execution situation is good so far.	There is no significant difference yet.
v. Whether the Company has established communication channels with the interested parties (including but not limited to shareholders, employees, customers and suppliers etc.), and set interested party zone in the company website, and appropriately responded to the important corporate social responsibility issues concerned by interested parties?			The Company has set spokesman and acting spokesman mechanism, and regularly disclose financial information for interested party to rapidly understand the operation situation of the Company to safeguard its rights and interests.	There is no significant difference yet.
vi. Whether the Company has appointed professional stock affairs agency to handle the affairs of Shareholders' Meeting?			The Company has appointed MasterLink Securities Corporation to handle stock affairs.	There is no significant difference yet.
vii. Information disclosure (i) Whether the Company has set website to disclose financial			(i) The website of the Company has disclosed information related to company profile and financial business.	There is no significant difference yet.

Assessment item	Operation situation			Difference from Listed Company Governance Best Practice Principles and the reason therefor
	Yes	No	Description abstract	
business and corporate governance information? (ii) Whether the Company has adopted other information disclosure methods (such as setting English website, designating dedicated person to be responsible for the collection and disclosure of company information, implementing spokesman system, and setting company website in the course of investor conference presentation etc.)?			(ii) The Company has designated dedicated person to be responsible for disclosing significant company information, and timely input it in the announcement at mops.twse.com.tw; besides, the Company has set spokesman and acting spokesman system and publicly plays the live video of investor conference presentation at the company website.	
viii. Whether the Company has other important information contributing to the understand of operation situation of corporate governance (including but not limited to employee rights and interests, employee caring, investor relations, supplier relations, rights of interested party, further education of director and supervisor, execution situation of risk management policy and risk measurement standard, execution situation customer policy, the situation in which the Company buys liability insurance for the director and supervisor etc.)?			(i) Safeguard and care about employee rights and interests: The Company complies with the Labor Standards Act, Labor Safety and Health Act and relevant regulations, spares no efforts to safeguard the legal rights and interests of employees, and regularly and irregularly holds all kinds of educational training to build a good relationship of mutual trust and interdependence with the employees. (ii) Investor relations: In order to maintain shareholders' rights and interests and for the convenience of public investors to understand the situation of company operation, the Company disclose relevant information at mops.twse.com.tw as required. (iii) Supplier relations: Through long-term intercourse with major suppliers, the Company has built a good relationship of mutual trust and has a cordial working relationship with them. (iv) Rights of interested party: Apart from setting designated spokesman and acting spokesman, the Company also sets stock affairs unit to handle relevant issues and suggestion matters of the shareholders and interested party of the Company; if involving in legal issues, then the Company has appointed law consultant or legal personnel for handling, so as to safeguard the rights and interests of interested party. (v) Further education of director and supervisor: The Company irregularly provides directors, supervisors and managers the legal information shall be paid attention to and the information of professional knowledge further education courses held by relevant units, and directors and supervisors of the Company also irregularly participate in the further education on courses related to corporate governance.	There is no significant difference yet.

Assessment item	Operation situation			Difference from Listed Company Governance Best Practice Principles and the reason therefor
	Yes	No	Description abstract	
			(vi) Execution situation of risk management policy and risk measurement standard: The Company emphasizes the risk management policy of "Prevention speaks louder than everything", apart from formulating rigorous internal control system pursuant to law, and regularly and irregularly examining the execution situation and proposing report through internal audit, the Company also takes reasonable hedging measures in the aspect of financial affairs and exchange rate etc. to reduce risks, and reviews the financial structure at any time to avoid excessive financial risks. (vii) Execution situation customer policy: The products of the Company are currently at the stage of research and development and have no operating income, in the future, when the products come into the market for sale, dedicated personnel will provide relevant services to the correspondents. (viii) The situation in which the Company buys liability insurance for the director and supervisor: Starting from June 14, 2012, the Company buys liability insurance for the directors and supervisors, and the insurance is renewed every year.	

ix. Please describe the improvement of corporate governance evaluation result released by corporate governance center of Taiwan Stock Exchange Corporation in the last year, and propose the prioritized strengthening matters and measures for the unimproved matters.

The Company has been listed in corporate governance assessment (the 3rd session) for the first time in 2016, in the future, for the items failed in assessment, the Company will review the feasibility in current year and future strategy every year, therefore, the Company will achieve a balance between the development of competent authority policy and the development of company mainbody every year, promote the implementation plan for the items can be improved at current stage, and set the year and objective of improvement for the items cannot be improved at current stage.

(iv) If the Company has set Remuneration Committee, its composition, responsibility and operation situation shall be disclosed:

1. Information of Remuneration Committee members

Identity type	Condition / Name	Whether or not with over five years of work experience and following professional qualifications			Independence conformance (notes 1)								Number of other public companies in which concurrently act as Remuneration Committee member	Notes (notes 2)
		Lecturer or above in the department of commercial affairs, legal affairs, financial affairs, accounting or those related company business in public and private colleges and universities	Judge, procurator, lawyer, accountant, or other professional and technical personnel having passed national examination and acquired certificate necessary for company business	Work experience in commercial affairs, legal affairs, financial affairs, accounting or necessary for company business	1	2	3	4	5	6	7	8		
Independent Director	Jerry Fong	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Conforming
Independent Director	Tony Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	Conforming
Independent Director	Wang Taichang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Conforming

Notes 1: If each member is conforming to the following conditions two years before appointment and during the term of office, please tick "✓" in the blank below the code of each condition.

(1) Not the employee of the company or its affiliated enterprise.

(2) Not the director or supervisor of the company or its affiliated enterprise. Except for the independent director set by the company or its parent company or subsidiary pursuant to this Act or local laws and decrees.

(3) Natural person shareholder holding over one percent of the total issued shares of the company or being the top ten shareholders not in the name of himself/herself and his/her spouse, minor children or other persons.

(4) Not the spouse, relatives within second degree or direct lineal relatives within third degree of the personnel listed in preceding three paragraphs.

(5) Not the director, supervisor or employee of the juridical person shareholder directly holding over five percent of total issued shares of the company; nor the director, supervisor or employee of the top five shareholding juridical person shareholder.

(6) Not the director, supervisor, manager or shareholder holding over five percent of shares of the specific company or institution having financial or business transactions with the company.

(7) Not the professional providing commercial, legal, financial or accounting etc. service or consultancy to the company or its affiliated enterprise; nor the entrepreneur, partner, director, supervisor, manager and its spouse of the sole proprietorship, partnership, company or institution.

(8) Not one of the circumstances as prescribed in Article 30 of Company Act.

Notes 2: If the identity type of the member is director, please describe whether it is conforming to the provisions of Paragraph 5, Article 6 of "Measures for Establishment of Company Remuneration Committee upon Going Public or Transaction in Business Place of Securities Dealer and Exercising Functions and Powers".

2. Information of operation situation of Audit Committee

(1) There are three members in the Remuneration Committee of the Company.
(2) Term of office of members in this session: from June 27, 2016 to June 26, 2019, Remuneration Committee has convened five meetings (A) in 2016, and members' qualifications and attending situations are as follows:

Title	Name	Actual attendance times B	Delegated attendance times	Actual attendance rate (%) [B/A]	Notes
Convenor	Tony Chang	5	0	100	Reappointed in overall re-election on June 27, 2016.
Committee member	Jimmy Tsay	2	0	100	Former, overall re-election on June 27, 2016.
Committee member	Jerry Fong	5	0	100	Reappointed in overall re-election on June 27, 2016.
Committee member	Wang Taichang	3	0	100	Newly appointed in overall re-election on June 27, 2016.

Other matters should be recorded:

i. If Board of Directors refuses to adopt or revises the suggestion of Remuneration Committee, the date of board meeting, stage, proposal contents, result of board resolution and handling of Remuneration Committee's opinion (if the remuneration passed by Board of Directors is superior to the suggestion of Remuneration Committee, the difference therebetween and reason therefor shall be specified) shall be specified: NA.

ii. For the resolution of Remuneration Committee, if a member opposes or has a qualified opinion and with record or written statement, the date of Remuneration Committee meeting, stage, proposal contents, and opinions of all members and handling of members' opinion shall be specified: NA.

(v) Situation of performing social responsibility: the system adopted by the Company for environmental protection, community participation, social contribution, social service, social benefit, consumers' rights and interests, human rights, safety and health, and other social responsibility activities, and the performance situation thereof:

Assessment item	Operation situation			Difference from the Code of Corporate Social Responsibility of Listed Company and the reason
	Yes	No	Description abstract	
i. Implement the promotion of corporate governance (i) Whether the Company has formulated corporate social responsibility policy or system, and has reviewed the situation of implementation effect? (ii) Whether the Company has held social responsibility educational			(i) The Company has formulated the Code of Corporate Social Responsibility and practice the corporate social responsibility according to such Code, and amend relevant policies based on the company development and actual demand. (ii) Through internal meeting, the Company continuously propagates the corporate operation	There is no significant difference yet.

Assessment item	Operation situation			Difference from the Code of Corporate Social Responsibility of Listed Company and the reason
	Yes	No	Description abstract	
training regularly? (iii) Whether the Company has set dedicated (part-time) unit to promote corporate social responsibility, and whether the Board of Directors has authorized senior management echelon to handle and report the handling situation to Board of Directors? (iv) Whether the Company has formulated reasonable remuneration policy, has combined the employee performance appraisal with corporate social responsibility policy, and has established explicit and effective rewards and punishment system?			philosophy and social responsibility, such as resources recovery and energy saving and carbon reduction etc., hoping to establish employees' consensus for compliance. (iii) For the promotion of corporate social responsibility, the Company currently has appointed Public Relations & Government Affairs Division and Personnel Administration Division to be in charge, and the Chief Operating Officer will coordinate with each division and office to work together according to the activity or policy requirement and report to the Board of Directors. (iv) The Company has formulated relevant measures for the rules and remuneration of colleagues, and employee stock subscription; and explicitly standardize remuneration and rewards and punishment standards, allowing colleagues to share the achievements in the growth of company operation, so as to fulfill social responsibility.	
ii. Sustainable development environment (i) Whether the Company has been devoting to improve the utilization efficiency of all kinds of resources, and using renewable materials having lower impact on environmental load? (ii) Whether the Company has established appropriate environmental management system according to its industrial characteristics? (iii) Whether the Company is aware of the impact of climate change on operation activity, and executes greenhouse gas inventory, and formulates company strategy for energy saving and carbon reduction and greenhouse gas reduction?			(i) The Company belongs to biotechnology research and development industry and mainly based on laboratory, thus does not use resources having greater impact on environmental load. The Company cherishes resources; continuously carries out the concept and action of energy saving; encourages waste classification and recycling, paper reduction; and calls on colleagues to turn off lights when leaving, reduce copying, voluntarily bring green cup, and reducing the consumption of bottled water and paper cup; implementing the energy saving in the actions of daily life; as for improving utilization efficiency of resources, the Company implements measures such as resources types classification and recycling etc., so as to achieve the purpose of waste reduction and resources recovery. (ii) The industry of the Company engages in biotechnology research and development, for the operation requirement of industrial characteristics, the Company has set safety and health management group, and has formulated laboratory waste management measures to execute waste cleaning and recovery, and complies with environmental protection regulations of competent authority. (iii) The industry of the Company engages in biotechnology research and development, currently it does not engage in the circumstance of manufacturing production etc. causing greenhouse gas emission. Apart from causing natural disaster directly impacting the operation	The Company belongs to biotechnology industry and has no production operation, and continues to reduce the environmental impact caused by the laboratory and office, in respect of the measures taken for sustainable environment, there is no significant difference between the regulations.

Assessment item	Operation situation			Difference from the Code of Corporate Social Responsibility of Listed Company and the reason
	Yes	No	Description abstract	
			activity, the climate change may also cause indirect impacts such as rising price or supply interruption of raw materials etc., therefore, the Company actively pays attention to the issues of energy saving and carbon reduction and greenhouse reduction, controls the temperature of air-conditioner in summer, pursues energy saving and carbon reduction in the office, save water and electricity consumption, and adjusts the temperature of air-conditioner; by reducing the operation energy consumption in life, office and laboratory, improving manufacturing method, process and production management, taking measures to mitigate pollution incident, and effective utilization of energy; so as to achieve the purpose of energy saving and carbon reduction.	
iii. Maintain social benefit (i) Whether the Company has formulated relevant management policies and procedures according to relevant laws and regulations and International Covenants on Human Rights? (ii) Whether the Company has established employee complaint mechanism and channel, and has handled them properly? (iii) Whether the Company has provided employees a safe and healthy working environment, and has implemented safety and health education to the employees regularly? (iv) Whether the Company has established employee regular communication mechanism, and informs the employee in a reasonable manner the operation change might cause significant			(i) The Company has formulated "Employee Manual" pursuant to Labor Standards Act and relevant laws and decrees. 1. Hold employees' friendship activity etc. irregularly, which is good for the physical and mental development of employees. 2. Regularly hold employee health examination. 3. Formulate association establishment measures, encourage employees to spontaneously establish art and literature, and leisure associations to hold activities regularly, initiate employees to enjoy the work, stay healthy and exercise the mind and body to improve the cohesion. 4. The Company convenes labor-management conference every quarter, safeguarding the legal rights and interests of employees and non-discrimination of employment policy pursuant to labor laws and regulations, and allocate retirement pension. Besides, the Company has set Employee Welfare Committee to handle all kinds of welfare affairs through the operation of welfare committee elected by employees. (ii) Complaint channels of employees include human resources unit, unit supervisor and General Manager etc., all complaints have been mediated and handled properly, so far, there has no significant complaint case. If a employees have any opinion on the company management and system, they can communicate with their supervisors to express the opinion, and the supervisors will handle immediately; in case of any whistle-blowing or complaint circumstance, under the precondition of sufficiently safeguarding the rights and interests and privacy of the concerned party, relevant supervisors will carry out interview and investigation, and reply	Conforming to the Code of Corporate Social Responsibility of Listed Company.

Assessment item	Operation situation			Difference from the Code of Corporate Social Responsibility of Listed Company and the reason
	Yes	No	Description abstract	
impact? (v) Whether the Company has set effective occupational ability development training plan for the employees? (vi) Whether the Company has formulated relevant policies protecting consumers' rights and interests and complaint procedures for the research and development, procurement, production, operation and service processes etc.? (vii) For the marketing and marking of product and service, whether the Company has complied with relevant laws and regulations and international standards? (viii) Before the intercourse between the Company and suppliers, whether the Company has assessed whether the suppliers have any record impacting the environment and society in the past? (ix) Whether contract between the Company and major suppliers contains the clause that, if the suppliers involve in violating their corporate social responsibility policy and have significant impact on the environment and society, the Company may terminate or cancel the contract at any time?			the concerned party the handling situation and opinion in due time, allowing it to feel being fully respected and the effective workplace management. (iii) The Company attaches importance to the safety and health of employees, and holds employee and laboratory safety and health education and fire prevention drilling more than two times a year, so as to implement hazard control assessment on operating environment, and provide appropriate and sufficient protective tools and first aid facilities such as watering, fire fighting and medical aid upon emergencies. Devoting to establish safe employee working environment and protect personal safety and prevent occupational disaster. (iv) The Company attached importance to regular communication with employees, communication mechanisms include announcement and meeting etc., so as to inform employees the operation change of significant impact. The Company convenes employee meeting regularly every month, apart from communicating important company decisions and activities, the Company also sets different subjects to ask experts to give a speech according to the demand of employees, such as tax affairs counseling, CPR training etc.; besides, such meeting will encourage employees to freely make a statement and propose a suggestion on all kinds of internal affairs, so as to achieve the purpose of two-way communication. (v) The Company cares about the development of colleagues, and has formulated complete training plan according to individual demand, hoping that colleagues can use their talents to obtain knowledge-ability and skills for promotion through further education. (vi) Major products of the Company are currently at the stage of research and development and have no operating income, after the sales of product in the future, the Company will provide relevant services to the correspondents. (vii) The product marketing and marking of the Company are conforming to relevant regulations. (viii) Before the intercourse with the suppliers, the Company has collected information to fully understand and assess the suppliers before listing them as the cooperative intercourse objects.	

Assessment item	Operation situation			Difference from the Code of Corporate Social Responsibility of Listed Company and the reason
	Yes	No	Description abstract	
			(ix) Before cooperation, the Company has fully informed each supplier that: it shall comply with the integrity policy of the Company, provide reasonable quotation, best quality and service, and both parties shall work together to improve corporate social responsibility.	
iv. Strengthen information disclosure (i) Whether the Company has disclosed relevant corporate social responsibility information of relevance and reliability at its website and mops.twse.com.tw etc.?			(i) The Company regularly discloses the execution situation of social responsibility at the public prospectus and Shareholders' Meeting annual report; if promoting public benefit activities of relevant corporate social responsibility, the Company will also discloses it immediately through activity news or activity propaganda etc. (ii) The Company has prepared corporate social responsibility report and disclosed in at the company website; in the future, the Company will still fulfill the corporate social responsibility, actively promote corporate governance and sustainable development environment, safeguard social benefits, and disclose and prepare the execution situation of corporate social responsibility.	There is no significant difference yet.
v. If the Company has formulated its own code of corporate social responsibility pursuant to "Code of Corporate Social Responsibility of Listed Company", please describe its operation and the difference circumstance therebetween: the Company has formulated the Code of Corporate Social Responsibility, and practice the corporate social responsibility according to such Code, the practice execution is consistent with its spirit, and there is no significant difference.				
vi. Other important information good for understanding the operation situation of corporate social responsibility: (i) Environmental protection: the Company executes environmental protection pursuant to relevant laws and decrees to fulfill the responsibility as an environmentally friendly citizen. (ii) Social benefits: apart from devoting to the business operation, the Company also donates the research or charitable organization as the case may be. (iii) Human rights and employees rights and interests: 1. The Company maintains a good working environment according to laws and decrees such as "Gender Equality in Employment Act" and "Gender harassment Prevention Act" etc., so as to safeguard the employees' right to work. 2. In order to improve employee quality and working skill and strengthen the work efficiency and quality, the Company has formulated "Management Measures on Education and Training", hoping to train excellent professional talents and further improve operation performance and effectively develop the utilization of human resources. 3. The Company convenes a meeting irregularly to provide an official communication channel, allowing employees of each level to coordinate with each other mutually and allowing personnel of each department to fully express their opinions. (iv) Safety and health: 1. The Company always attached importance to the management of employee occupational safety and health, and urges supervisor of each department to pay attention to control the risks of occupational safety and health and improve performance. 2. The Company has formulated relevant laboratory operation standards to standardize basic steps for employee to operate the equipment, and irregularly holds in-service labor safety and health educational training to ensure a safe working environment.				
vii. If the product or corporate social responsibility report of the Company has passed the verification standards of relevant certification authority, it shall be described: Relevant certification institution hasn't been appointed by the Company to investigate and verify the corporate social responsibility report, it is one of the directions in future planning.				

(vi) Situation of performing integrity operation and measures adopted:

Assessment item	Operation situation			Difference from Listed Company Integrity Operation Rules and the reason therefor
	Yes	No	Description abstract	
i. Formulate integrity operation policy and scheme (i) Whether the Company has explicitly formulated the policy and practice of integrity operation in the regulations and external documents, and whether Board of Directors and management echelon promise to actively implement the operation policy? (ii) Whether the Company has formulated the schemes to prevent dishonest behaviors, and explicitly stipulates operation procedure, behavioral guideline, violation punishment and complaints system and implements them in each scheme? (iii) Whether the Company has taken preventive measures for the operating activities prescribed in each subparagraph of Paragraph 2, Article 7 of "Listed Company Integrity Operation Rules" or other operating activities of higher risks of dishonest behavior within the business scope?			(i) The Company has formulated the Code of Integrity Operation and Codes of Ethical Conduct as the complying basis of internal operation of the company. Integrity and transparency are the important core values in the operation of the Company, the Company establishes corporate governance and risk control mechanisms based on that to pursue sustainable development of the Company. (ii) Directors, supervisors, managers, employees or those of substantial control ability of the Company are strictly prohibited from directly or indirectly providing, promising, asking for or receiving any unjustified interests, or conducting other dishonest behaviors violating integrity, illegal or violating fiduciary duties. (iii) The Company has formulated Employee Code of Conduct to sincerely treat customers, investors, colleagues, suppliers and every business contact object with self-discipline and in the principle of integrity and honesty, and strictly prohibits employees to accept any improper gift and entertainment.	There is no significant difference yet.
ii. Implement integrity operation (i) Whether the Company has assessed the integrity record of contacting objects, and explicitly stipulated integrity clauses in the contract signed between the Company and trading objects? (ii) Whether the Company has set dedicated (part-time) unit subordinated to Board of Directors to promote corporate integrity operation, and regularly reports to Board of Directors on the execution situation thereof? (iii) Whether the Company has formulated policy to prevent conflict of interest and provided proper statement channel, and implements them? (iv) Whether the Company has established effective accounting system, internal control system for implementing integrity operation, and assigns internal			(i) Personnel of every level of the Company are of high self-discipline and have never involved in other illegal affairs or purposes in the commercial activity; for those who have the record of dishonest behaviors, the Company will degrade them, stop their powers, or remove them from the list of qualified suppliers. (ii) Legal Affairs and Intellectual Property Division of the Company is the dedicated unit in charge of integrity operation, responsible for regularly reporting to Board of Directors on the supervision and execution of integrity operation every half year. (iii) Board of Directors of the Company adheres to high self-discipline, for the proposal listed by Board of Directors and those have interest relationship with the Board of Directors or its representing juridical person, such interested relationship shall be described in the current Board of Directors meeting, if such relationship is detrimental to corporate benefits, it shall not join in discussion and voting and shall evade upon discussion and voting, and shall not exercise	There is no significant difference yet.

Assessment item	Operation situation			Difference from Listed Company Integrity Operation Rules and the reason therefor
	Yes	No	Description abstract	
audit unit to conduct auditing regularly or appoints accountants to execute the auditing? (v) Whether the Company holds internal and external educational training on integrity operation regularly?			voting right on behalf of other directors. (iv) To establish effective accounting and internal control system, the Company carries out computerized operation in which the management function can be connected through computers, besides, the Company executes abnormality management and assigns internal audit unit to conduct examination regularly or appoints accountants to execute the examination. (v) The Company propagates and holds internal and external educational training on integrity operation from time to time.	
iii. Operation situation of company reporting system (i) Whether the Company has formulated specific reporting and rewarding system and established convenient reporting channel, and assigned appropriate dedicated handling personnel for the object being reported? (ii) Whether the Company has formulated investigation standard operation procedures and relevant confidentiality mechanism for accepting reporting matters? (iii) Whether the Company has taken measures to protect whistleblower from improper treatment due to the reporting?			The Company accepts any notification on illegal or immoral circumstances, assigns independent dedicated unit to be responsible for the investigation, and actually keeps the identity of whistleblower and reporting contents confidential; besides, the investigation result will be announced to all employees regularly and reported to members of Board of Directors.	There is no significant difference yet.
iv. Strengthen information disclosure (i) Whether the Company has disclosed the contents of Code of Integrity Operation formulated and the promotion effect thereof at the company website and mops.twse.com.tw?			The Company discloses company profile at the company website and announces real time information at the mops.twse.com.tw as required by laws and decrees.	There is no significant difference yet.
v. If the Company has formulated its own Code of Integrity Operation according to the "Listed Company Integrity Operation Rules", please describe its operation and the difference circumstance therebetween: the Code of Integrity Operation of the Company is conforming to the regulations of "Listed Company Integrity Operation Rules", and there is no difference.				
vi. Other important information good for understanding the operation situation of integrity operation of the company (such as the Company reviews and amends the Code of Integrity Operation formulated etc.): the Company has formulated the Code of Integrity Operation for the first time in 2014, and amends it according to laws and decrees and corporate practice.				

(vii) If the Company has formulated the Code of Corporate Governance and relevant regulations, the inquiry method thereof shall be disclosed:

The Company has formulated the Code of Corporate Governance and disclosed it in the company website, and also has formulated operation procedures such as "Code of Integrity Operation", "Codes of Ethical Conduct", "Code of Corporate Social Responsibility", "Rules of Procedure for Shareholders' Meetings", "Specification of Procedure for Board of Directors", "Procedures for Election of

Directors", "Interested Party Specific Company and Group Enterprise Transaction Operation Procedure", "Measures for Supervision and Management of Subsidiary" and "Internal Control System" etc., operating and executing corporate governance related specifications according to the spirit of corporate governance, in the future, the Company will amend the management measures according to relevant laws and decrees as the case may be, so as to strengthen the corporate governance.

(viii) Other important information sufficient enough to enhance the operation situation of corporate governance shall be disclosed all together: please refer to "Paragraph vii of Operation situation of corporate governance and its difference from Listed Company Governance Best Practice Principles and the reason therefor".

(ix) Execution situation of internal control system

1. Internal Control System Statement: please refer to the next page.
2. If the accountant is appointed to specifically examine the internal control system, the accountant examination report shall be disclosed: NA.

OBI Pharma, Inc.
Internal Control System Statement

Date: March 9, 2017

For the 2016 internal control system of the Company, based on the result of self-assessment, it is hereby made the statement as follows:

i. The Company acknowledges that the establishment, implementation and maintenance of internal control system are the responsibilities of Board of Directors and managers of the Company, and the Company has established such system. Its purpose is to provide a reasonable guarantee for achieving the objectives such as operation effect and efficiency (including profit making, performance and safeguarding assets safety etc.), report reliability, promptness, transparency and the compliance of relevant regulations and relevant laws and decrees etc.

ii. The internal control system has its own inherent limitation, no matter how perfect its design is, an effective internal control system can only provide reasonable guarantee for achieving three objectives mentioned above; and due to the change of environment and circumstance, the effectiveness of internal control system might be changed accordingly. But the internal control system of the Company has set self-supervision mechanism, once the deficiency has been identified and confirmed, the Company will take correction action immediately.

iii. The Company stipulates the determination items of internal control system effectiveness according to the "Guidelines on Public Company to Establish Internal Control System" (hereinafter referred to as "Guidelines"), so as to determine whether the design and execution of internal control system are effective. The determination items of internal control system adopted in such "Guidelines" are the processes of management control, dividing internal control system into five elements: 1. Environment control; 2. Risk assessment; 3. Operation control; 4. Information and communication, and 5. Supervision operation. Each element further includes several items. Please refer to the provisions of "Guidelines" for the preceding items.

iv. The Company has adopted the determination items of internal control system mentioned above to assess the effectiveness of the design and execution of internal control system.

v. Based on the assessment result in preceding paragraph, the Company thinks that the internal control system of the Company on December 31, 2016 (including supervision and management of subsidiary), including that the design and execution of internal control system related to understanding the operation effect and achievement degree of efficiency objective; reliable, prompt and transparent report; and compliance of relevant regulations and relevant laws and decrees etc. are effective, and it can reasonably guarantee the achievement of above objectives.

vi. This Statement will become major contents of the annual report and public prospectus of the Company, and will be disclosed externally. If the preceding disclosed contents have any false, concealing or illegal circumstance, it will involve in the legal responsibilities as

prescribed in Article 20, Article 32, Article 171 and Article 174 etc. of Securities Exchange Act.

vii. This Statement is passed by Board of Directors of the Company on March 9, 2017, among 6 attending directors, no one holds opposing opinion and all agree upon the contents of this Statement, it is hereby declared as well.

OBI Pharma, Inc.

Chairman: Michael N. Chang (Signature/Seal)

General Manager: Amy Huang (Signature/Seal)

(x) In the last year and as at the publication date of annual report, whether the Company and its internal personnel is punished according to law, whether the Company punishes its internal personnel for violating the provisions of internal control system, major deficiencies and improvement situation: in 2016, the Company has been fined of NT$One million by GreTai Securities Market for nonconforming to information declaration regulations, the Company has conducted self-criticism and adopted improvement measures of job rotation to strengthen the internal control management.

(xi) In the last year and as at the publication date of annual report, important resolution of Shareholders' Meeting and Board of Directors Meeting:

1. Important resolution of Shareholders' Meeting and Board of Directors Meeting:

Shareholders' Meeting / Board of Directors Meeting	Date	Important resolution	Resolution and execution situation
Board of Directors Meeting	The Fourth Session the 26th Board of Directors Meeting, January 22, 2016	1. Special Committee plans to propose to amend the Company's first resolution of the Fourth Session the 25th Board of Directors Meeting held on December 15, 2015. 2. Special Committee plans to propose the business (or manufacturing) strategic cooperation between the Company and Amaran. 3. Special Committee plans to propose the supply agreement between the Company and Amaran. 4. The Company plans to purchase raw materials from Amaran Biotechnology Co., Ltd. 5. The Company plans to sign equipment purchase contract with Amaran Biotechnology Co., Ltd. 6. Transfer of employee stock option certificate into ordinary shares.	1. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 2. Chairman Michael N. Chang and Director Lung-Yen Cho have evaded pursuant to law and don't participate in the discussion and voting of this case, and Vice Chairman Youe-Kong Shue is the acting chairman. Per resolution of attending directors on the spot as requested by the acting chairman, this case has been passed without objection. 3. Chairman Michael N. Chang and Director Lung-Yen Cho have evaded pursuant to law and don't participate in the discussion and voting of this case, and Vice Chairman Youe-Kong Shue is the acting chairman. Per resolution of attending directors on the spot as requested by the acting chairman, this case has been passed without objection. 4. Chairman Michael N. Chang and Director Lung-Yen Cho have evaded pursuant to law and don't participate in the discussion and voting of this case, and Vice Chairman Youe-Kong Shue is the acting chairman. Per resolution of attending directors on the spot as requested by the acting chairman, this case has been passed without objection.

Shareholders' Meeting / Board of Directors Meeting	Date	Important resolution	Resolution and execution situation
			5. Chairman Michael N. Chang and Director Lung-Yen Cho have evaded pursuant to law and don't participate in the discussion and voting of this case, and Vice Chairman Youe-Kong Shue is the acting chairman. Per resolution of attending directors on the spot as requested by the acting chairman, this case has been passed without objection. 6. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection.
Board of Directors Meeting	The Fourth Session the 27th Board of Directors Meeting, February 24, 2016	1. In order to safeguard company credit and shareholders' rights and interests, the Company plans to carry out the first buyback of company shares.	1. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection.
Board of Directors Meeting	The Fourth Session the 28th Board of Directors Meeting, March 25, 2016	1. It is planned to propose the 2016 business plan of the Company. 2. 2015 financial statements of the Company. 3. 2015 deficit compensation of the Company. 4. It is planned to ask the Company to complete self-assessment on the financial report preparation capability, and the formulation of "Plan for Company to Improve the Capability of Financial Report Self-preparation" is exempted. 5. It is planned to amend some articles of the "Articles of Incorporation", "Rules of Procedure for Shareholders' Meetings", "Procedures for Election of Directors" and "Approval Authority List", and formulate the "Board of Directors Performance Assessment Measures". 6. Budget in 6.2016. 7. Re-election of nine seats of the Fifth Session directors (including three seats of independent directors) of the Company. 8. Nomination of independent director. 9. Accept the nomination of independent director candidates. 10. The determination of the date, place and agenda of the 2016 General Meeting. 11. In order to confirm the handling direction of Mackay dispute case, it is planned to provide the current discussing consultation and legal strategy. 12. Acknowledgment of 2015 "Internal Control System Statement" of the Company. 13. The Company plans to purchase the new laboratory in Nangang. 14. It is planned to propose the 2016 work plan of Remuneration Committee of the	1. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 2. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 3. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 4. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 5. Per consultation among all attending directors as requested by the chairman, apart from that the stipulation of authorizing leave, overtime and business trip related to personnel administration as prescribed in "Approval Authority List" will be further discussed after confirming the reorganization of the Company, the rest amendment and formulation cases have been passed without objection. 6. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 7. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 8. Per consultation among all attending directors as requested by the

Shareholders' Meeting / Board of Directors Meeting	Date	Important resolution	Resolution and execution situation
		Company. 15. Examine the salary adjustment of the Company planned to be implemented in 2016, and the salary adjustment and performance bonus of managers of the Company in 2016. 16. Proposal on 2016 the first issuing list of employee stock option certificate. 17. Proposal on special contribution bonus of the Company. 18. Proposal on personnel changes of the Company.	chairman, this case has been passed without objection. 9. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 10. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 11. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 12. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 13. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 14. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 15. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 16. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 17. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 18. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection: it is agreed to promote CT Wang to take the post of Deputy General Manager of Financial Division, Sharon Lee to take the post of Director of Public Relations Division, Gus Adapon to take the post of Director of Investors Relations Division, and Pedro Chen to take the post of Business Information Director of Commercial Division.
Board of Directors Meeting	The Fourth Session the 29th Board of Directors Meeting, May 13, 2016	1. The Company's financial report in the first quarter of 2016. 2. Plan to amend some articles of the "Regulations Governing Procedure for	1. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection.

Shareholders' Meeting / Board of Directors Meeting	Date	Important resolution	Resolution and execution situation
		Board of Directors Meetings", "Directors and Managers Guidelines for the Ethical Conduct" and "Measures for Intellectual Property Management" of the Company. 3. Changes the purpose of the first treasury share buyback program. 4. The Company intends to carry out long-term fund-raising plan. 5. Propose to require Alpha Company, director of the Company, to exercise disgorgement of profit. 6. Review the qualification of independent director candidates. 7. The release of non-compete on the newly elected directors. 8. Plan to supplement the reasons for convening 2016 general meeting. 9. Transfer of employee stock option certificate into ordinary shares. 10. Subsequent recognition on the Company's lawsuit against "Next Magazine" for the aggravated defamation in Criminal Act and claim for civil damage compensation due to the damage to the reputation of the Company by false report. 11. Subsequent recognition on the Company's lawsuit against INSPIRE website for aggravated defamation in Criminal Act due to the publication of false statements in the name of OBLie. 12. Subsequent recognition of the Company's criminal charge against the wrongdoer for spreading rumors to manipulate the market and violating the Securities Exchange Act. 13. Proposal on personnel changes of the Company.	2. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 3. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 4. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 5. Director Michael N. Chang and director Howard Lee have evaded the meeting pursuant to law and don't participate in the discussion and resolution. Per resolution of attending directors on the spot as requested by the acting chairman, namely the Vice Chairman Youe-Kong Shue, this case has been passed without objection. 6. The nominated candidates for independent director Mr. Jerry Fong and Mr. Tony Chang, and Mr. Tamon Tseng and Mr. Lung-Yen Cho, representatives of juridical person director Hui Hong Investment Co., Ltd. (the shareholder nominator with one percent shareholding), have evaded the review and resolution of this proposal pursuant to law. Per inquiry about the opinions of attending directors on the spot by the chairperson, this case has been passed without objection. 7. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 8. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 9. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 10. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 11. Per consultation among all attending directors as requested by the chairman, this case has been passed

Shareholders' Meeting / Board of Directors Meeting	Date	Important resolution	Resolution and execution situation
			without objection. 12. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 13. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection.
Shareholders' Meeting	2016 General Meeting, June 27, 2016	Items for acknowledgment: 1. (Proposed by Board of Directors) Adoption of 2015 Business Report and settlement statements. 2. (Proposed by Board of Directors) 2015 deficit compensation. Discussion Items (1) 1. (Proposed by Board of Directors) Amendments to the "Articles of Incorporation". 2. (Proposed by Board of Directors) Amendments to the "Regulations Governing the Acquisition and Disposal of Assets". 3. (Proposed by Board of Directors) Amendments to the "Rules of Procedure for Shareholders' Meetings". 4. (Proposed by Board of Directors) Amendments to the "Procedures for Election of Directors". 5. (Proposed by Board of Directors) Intentions to plan for long-term fund-raising. Elections 1. (Proposed by Board of Directors) Election and appointment of directors and independent directors of the Company. Discussion Items (2) 1. (Proposed by Board of Directors) On the lifting of non-compete restrictions for the company's new directors and their representatives.	Items for acknowledgment: 1. Per consultation among all attending shareholders as requested by the chairman, voting has been carried out according to the contents of original proposal without objection. The voting has been acknowledged as proposed. 2. Per consultation among all attending shareholders as requested by the chairman, voting has been carried out according to the contents of original proposal without objection. The voting has been acknowledged as proposed. Discussion Items (1) 1. Per consultation among all attending directors as requested by the chairman, voting has been carried out for the amendment case proposed by Yi Tai Investment Co., Ltd. with shareholder account No. 54. The voting has been passed as amended. 2. Per consultation among all attending shareholders as requested by the chairman, voting has been carried out according to the contents of original proposal without objection. The voting has been passed as proposed. 3. Per consultation among all attending shareholders as requested by the chairman, voting has been carried out according to the contents of original proposal without objection. The voting has been passed as proposed. 4. Per consultation among all attending directors as requested by the chairman, voting has been carried out for the amendment case proposed by Yi Tai Investment Co., Ltd. with shareholder account No. 54. The voting has been passed as amended. 5. Per consultation among all attending

Shareholders' Meeting / Board of Directors Meeting	Date	Important resolution	Resolution and execution situation
			shareholders as requested by the chairman, voting has been carried out according to the contents of original proposal without objection. The voting has been passed as proposed. Elections 1. Election result: list of 7 elected directors in the fifth session Chairman Michael N. Chang, representative of Yi Tai Investment Co., Ltd. Director Tamon Tseng, representative of Yi Tai Investment Co., Ltd. Director Lung-Yen Cho, representative of Sheng Cheng Investment Co., Ltd. Director Frank Chen, representative of Sheng Cheng Investment Co., Ltd. Independent Director Jerry Fong Independent Director Tony Chang Independent Director Wang Taichang Discussion Items (2) 1. Per consultation among all attending shareholders as requested by the chairman, voting has been carried out according to the contents of original proposal without objection. The voting has been passed as proposed.
Board of Directors Meeting	The Fifth Session the 1st Board of Directors Meeting, June 27, 2016	1. Election and appointment of the fifth session Chairman of the Company.	1. All attending directors agree to elect and appoint Michael N. Chang as the fifth session Chairman of the Company.
Board of Directors Meeting	The Fifth Session the 2nd Board of Directors Meeting, August 12, 2016	1. Plan to participate in the strategic investment in the supplier of the Company. 2. The Company plans to appoint PharmaCore Biotech Co., Ltd. in cooperation of manufacturing drugs. 3. Director, Supervisor and important personnel liability insurance. 4. Transfer of employee stock option certificate into ordinary shares. 5. Proposal on personnel changes of the Company.	1. Per consultation among all attending directors as requested by the chairman, this case has been passed. 2. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 3. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 4. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 5. Per consultation among all attending directors as requested by the

Shareholders' Meeting / Board of Directors Meeting	Date	Important resolution	Resolution and execution situation
			chairman, this case has been passed.
Board of Directors Meeting	The Fifth Session the 3rd Board of Directors Meeting, November 11, 2016	1. Plan to elect the Vice Chairman. 2. Plan to formulate "M&A Special Committee Organizational Regulations" and "Corporate Governance Best Practice Principles", and amend some articles of "Code of Integrity Operation" and the "Procurement and Payment Cycle" in "Procedures for Ethical Management and Guidelines for Conduct". 3. In order to strengthen Intellectual property management and introduce Taiwan Intellectual Property Management System, the Company plans to newly formulate the "Intellectual Property Rights Management Policy". 4. Subsequent recognition on line of credit application to E.SUN Bank. 5. Transfer of employee stock option certificate into ordinary shares. 6. Auditing Department plans to propose the 2017 audit plan of the Company. 7. Subsequent recognition of the Company's civil and criminal charge against the Next Magazine. 8. For effective management of PCT international patent application method, the Company plans to establish subsidiary IP holding company in Singapore. 9. Formulate the measures for the first issue and subscription of employee stock option certificate of the Company in 2016, based on which the employee stock option certificate will be issued. 10. Proposal on personnel changes of the Company. 11. Proposal on adjustment of compensation & benefits of the General Manager of the Company. Extemporary Motions 1. The Company plans to purchase raw materials from Amaran Biotechnology, Inc.	**1.** Chairman Michael N. Chang nominates director Tamon Tseng as the Vice Chairman. Director Tamon Tseng have evaded pursuant to law and doesn't participate in the discussion and voting of this case. Per inquiry about the opinions of attending directors on the spot by the chairperson, this case has been passed without objection. 2. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 3. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 4. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 5. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 6. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 7. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 8. Per consultation among all attending directors as requested by the chairman, this case will be proposed again in the next Board of Directors Meeting after further discussion in details. Currently this case is not proceeded temporarily. 9. Per consultation among all attending directors as requested by the chairman, this case has been passed after amendment. 10. Per consultation among all attending directors as requested by the chairman, this case has been passed after amendment. 11. General Manager Amy Huang has evaded pursuant to law and doesn't participate in the discussion and voting of this case. Per consultation among all attending directors as requested by the chairman, this case

Shareholders' Meeting / Board of Directors Meeting	Date	Important resolution	Resolution and execution situation
			has been passed without objection. Extemporary Motions 1. Due to the conflict of interest, the Chairman Michael N. Chang, director Tamon Tseng, director Lung-Yen Cho, and director Frank Chen don't participate in the discussion and voting of this case, the meeting is presided over by independent director Wang Taichang. After independent director Wang Taichang, the acting chairperson in this case, has inquired about the opinions of other two independent directors, this purchase case shall consider the proposed factors upon execution.
Board of Directors Meeting	The Fourth Session the 4th Board of Directors Meeting, March 9, 2017	1. 2016 settlement statements of the Company. 2. 2016 deficit compensation of the Company. 3. Budget in 2017. 4. It is planned to propose the 2017 business plan of the Company. 5. It is planned to amend some articles of "Regulations Governing the Acquisition and Disposal of Assets" of the Company. 6. It is planned to amend some articles of "Approval Authority List" of the Company. 7. It is planned to amend some articles of "Information Circulation" of the Company. 8. In respond to the formulation of "Intellectual Property Rights Management Policy", it is planned to amend the fifth edition of "Research & Develop". 9. Subsequent recognition on reassignment of director of OBI Pharma (Shanghai) Limited 10. The Company plans to open a deposit account in USB Singapore Branch in Singapore. 11. Transfer of employee stock option certificate into ordinary shares. 12. The determination of the date, place and agenda of the 2017 General Meeting. 13. 2016 "Internal Control System Statement" acknowledgment. 14. It is planned to amend some articles of the "2016 Employee Stock Options Issuance and Exercise Provisions". 15. It is planned to amend some articles of "Remuneration Committee Organizational Regulations". 16. Examine the proposal of the Company's	1. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 2. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 3. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 4. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 5. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 6. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 7. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 8. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 9. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 10. Per consultation among all attending directors as requested by the

Shareholders' Meeting / Board of Directors Meeting	Date	Important resolution	Resolution and execution situation
		distribution principle of year-end bonus to managers in 2016. 17. Discuss the proposal on the 2017 work plan of Remuneration Committee of the Company. 18. Examine the salary adjustment of the Company planned to be implemented in 2017, and the salary adjustment and performance bonus of managers of the Company in 2017. 19. The Company plans to propose the first issuing list of employee stock option certificate in 2017. 20. Proposal on personnel promotion of the Company.	chairman, this case has been passed without objection. 11. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 12. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 13. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 14. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 15. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 16. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 17. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 18. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection. 19. In this case, apart from that the unit of first issue of employee stock option certificate in 2017 is revised into 3,145,000 units in total, the rest has been passed without objection per consultation among all attending directors as requested by the chairman. 20. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection: agree to promote Chen Yinjie as the Director, Legal Affairs and Intellectual Property.
Board of Directors Meeting	The Fifth Session the 5th Board of Directors Meeting, March 30, 2017	1. Plan to acquire license from Threshold Pharmaceuticals.	1. Per consultation among all attending directors as requested by the chairman, this case has been passed without objection.

2. Review on the execution of resolutions of General Meeting:
The 2016 General Meeting of OBI was hold in Taipei on June 27, 2016. The

resolutions of attending shareholders and executions are reviewed as follows:
Items for acknowledgment:

(1) Acknowledge the 2015 Business Report and settlement statements.
Review on execution: per consultation among all attending shareholders as requested by the chairman in General Meeting, this case has been acknowledged by voting without objection.

(2) Acknowledge 2015 deficit compensation of the Company.
Review on execution: per consultation among all attending shareholders as requested by the chairman in General Meeting, this case has been acknowledged by voting without objection.

Discussion Items (1)

(1) Discuss the amendments to the "Articles of Incorporation".
Review on execution: the amendment proposal proposed by Yi Tai Investment Co., Ltd. with shareholder account No. 54 has been passed by voting, and the resolution will be abided by for execution according to the amended Articles of Incorporation. It has been approved of registration by competent authority on August 2, 2016.

(2) Discuss the amendments to the "Regulations Governing the Acquisition and Disposal of Assets".
Review on execution: it is passed by voting, and the resolution will be abided by for execution according to the amended Regulations Governing the Acquisition and Disposal of Assets.

(3) Discuss the amendments to the "Rules of Procedure for Shareholders' Meetings".
Review on execution: it is passed by voting, and the resolution will be abided by for execution according to the amended Rules of Procedure for Shareholders' Meetings.

(4) Discuss the amendments to the "Procedures for Election of Directors".
Review on execution: the amendment proposal proposed by Yi Tai Investment Co., Ltd. with shareholder account No. 54 has been passed by voting, and the resolution will be abided by for execution according to the amended Procedures for Election of Directors.

(5) Discussion on planning to carry out long-term fund-raising.
Review on execution: it is passed by voting, and the resolution will be abided by for execution according to relevant laws and decrees. But it has not been executed currently.

Elections

(1) Election and appointment of the fifth session directors and independent directors of the Company.
Review on execution:
Election results: List of 7 elected directors
   A. Chairman Michael N. Chang, representative of Yi Tai Investment Co., Ltd.
   B. Director Tamon Tseng, representative of Yi Tai Investment Co., Ltd.
   C. Director Lung-Yen Cho, representative of Sheng Cheng Investment Co., Ltd.

D. Director Frank Chen, representative of Sheng Cheng Investment Co., Ltd.
E. Independent Director Jerry Fong
F. Independent Director Tony Chang
G. Independent Director Wang Taichang

Review on execution: it has been approved of registration by competent authority on August 2, 2016.

Discussion Items (2)

(1) On the lifting of non-compete restrictions for the company's new directors and their representatives.
Review on execution: per consultation among all attending shareholders as requested by the chairman in General Meeting, this case has been passed by voting without objection to the lifting of non-compete restrictions for the new directors and their representatives.

No extemporary motions have been passed in this Shareholders' Meeting. Please refer to the Minute Book of 2016 General Meeting for the voting of each proposal in Shareholders' Meeting.

(xii) In the last year and as at the publication date of annual report, if a director or supervisor has different opinion on the important resolution passed in the Board of Directors Meeting and with record and written statement, major contents thereof: NA.

(xiii) In the last year and as at the publication date of annual report, summary of the resignation or dismissal of Chairman, General Manager, Accounting Director, Financial Director, Internal Audit Director and R&D Director etc.:

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Chief Medical Officer and Deputy General Manager for Clinical Drug Research and Development	Nathan Chen	January 1, 2015	August 10, 2016	Personal career planning
Chief Operating Officer	Joanna Meng	November 1, 2013	January 23, 2017	Retirement

iv. Accountant's fees information

(i) Accountant's fees information:

Monetary unit: NT$thousand

Name of accounting firm	Name of accountant		Examination period	Notes
PwC Taiwan	Audrey Tseng	Zhang Minghui	From January 1, 2016 to December 31, 2016	

Monetary unit: NT$thousand

Numerical range of amounts / Fees item		Audit fees	Non-audit fees	Total
1	Below NT$2,000 thousand	-	1,347	1,347
2	NT$2,000 thousand (inclusive) ~ NT$4,000 thousand	3,080	-	3,080
3	NT$4,000 thousand (inclusive) ~ NT$6,000 thousand	-	-	-
4	NT$6,000 thousand (inclusive) ~ NT$8,000 thousand	-	-	-
5	NT$8,000 thousand (inclusive) ~ NT$10,000 thousand	-	-	-
6	Above NT$10,000 thousand (inclusive)	-	-	-

(ii) If the non-audit fees paid to the certified public accountant and affiliated firm and enterprise of certified public account are more than one fourth of the audit fees, the amounts of audit and non-audit fees and the non-audit service contents shall be disclosed:

Monetary unit: NT$thousand

Name of accounting firm	Accountant Name	Audit fees	Non-audit fees					Accountant Examination period	Notes
			System design	Business registration	Human Resources	Other (Notes 1)	Subtotal		
PwC Taiwan	Audrey Tseng	3,080	-	275	-	1,072	1,347	From January 1, 2016 to December 31, 2016	Non-audit fees see the notes below for details
	Zhang Minghui								

Notes: Service contents and fees of non-audit fees are listed as follows:

1. NT$340 thousand for ERP authority review consulting;
2. NT$402 thousand for Corporate Social Responsibility Report;
3. NT$330 thousand for TIPS counseling.

(iii) In case of change of accounting firm and the audit fees paid in the year of change is reduced comparing with that in the year before change, amounts of audit fees before and after change and reasons shall be disclosed: NA.

(iv) If the audit fees is reduced by more than fifteen percent comparing with that in the last year, the reduced amount of audit fees, proportion and reason shall be disclosed: NA.

v. Information on change of accountant: in the last two years and the subsequent period thereafter, the Company has no circumstance of changing accountant.

vi. Whether the Chairman, General Manager, and managers responsible for financial and accounting affairs of the Company once worked in the affiliated firm or enterprise of the certified public accountant in the last year: NA.

vii. In the last year and as at the publication date of annual report, stock right transfer and pledge of stock right in the directors, supervisors, managers and shareholders with shareholding ratio over ten percent.

(i) Stock right transfer and pledge of stock right in the directors, supervisors, managers and shareholders with shareholding ratio over ten percent:

Unit: thousand shares

Title	Name	2016		2017 As at April 30	
		Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares	Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares
Chairman	Yi Tai Investment Co., Ltd. Representative: Michael N. Chang (Notes 1)	50	0	0	0
Vice Chairman	Yi Tai Investment Co., Ltd. Representative: Tamon Tseng	0	0	0	0
Director	Yi Tai Investment Co., Ltd. Representative: Lung-Yen Cho	0	0	0	0
Director	Yi Tai Investment Co., Ltd. Representative: Frank Chen (Notes 2)	800	0	0	0
Vice Chairman	Youe-Kong Shue (Notes 3)	0	0	0	0
Director	Alpha Corporate Limited Representative: Howard Lee (Notes 3)	0	0	0	0
Independent Director	Jimmy Tsay (Notes 3)	0	0	0	0
Independent Director	Jerry Fong	0	0	0	0
Independent Director	Tony Chang	0	0	0	0

Title	Name	2016		2017 As at April 30	
		Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares	Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares
Independent Director	Wang Taichang (Notes 2)	0	0	0	0
Substantial shareholder holding 10% or more	Yi Tai Investment Co., Ltd.	0	13,000	0	0
General Manager	Amy Huang	80	0	100	0
Chief Scientific Officer	Tony Yu	0	0	200	498
Chief Operating Officer	Max Chan (Notes 4)	0	0	0	0
Chief Operating Officer	Joanna Meng (Notes 5)	(116)	0	0	0
Vice President, Quality Assurance & Supply Chain	Richard Tseng	0	0	100	0
Vice President, Finance	CT Wang	(1)	0	9	0
Chief Medical Officer and Deputy General Manager for Clinical Drug Research and Development	Nathan Chen (Notes 6)	0	0	0	0
Vice President, Translational Medicine, R&D Division	Phoebe Yu (Notes 7)	0	0	0	0
Vice President, Medical and Clinical Development	Cristina Chang (Notes 8)	0	0	0	0
Vice President, Statistic & Biometrics	Sophia Lee (Notes 9)	0	0	0	0
Sr. Director, R&D	Jiann-Shiun Lai	(21)	0	0	0
Director, Human Resources & Administration	Rose Lo	(34)	0	(3)	0

Title	Name	2016		2017 As at April 30	
		Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares	Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares
Director, Commercial Medicine	Jon Jih Liao	0	0	0	0
Director, Clinical Operation	Maggie Yang	48	0	0	0
Director, R&D	Edward Hsieh	21	0	0	0
Director, Commercial	Pedro Chen (Notes 10)	0	0	0	0
Director, Investor Relati	Gus Adapon(Notes 10)	16	0	0	0
Director, Public Relations & Government Affairs	Sharon Lee (Notes 10)	25	0	0	0
Director, Legal Affairs and Intellectual Property	Jay Chen (Notes 11)	0	0	2	0
Manager, Auditing Office	Neo Chien	18	0	(6)	0

Notes 1: Chairman Michael N. Chang has changed the post from director into director representative on June 27, 2016.
Notes 2: Newly appointed in overall re-election of directors on June 27, 2016.
Notes 3: Former, overall re-election of directors on June 27, 2016.
Notes 4: Such manager reports on duty on January 23, 2017.
Notes 5: Such manager retires on January 23, 2017.
Notes 6: Such manager leaves the Company on August 10, 2016.
Notes 7: Such manager leaves the Company on March 15, 2017.
Notes 8: Such manager reports on duty on March 31, 2016.
Notes 9: Such manager reports on duty on July 1, 2016.
Notes 10: Such manager takes up the post on March 25, 2016.
Notes 11: Such manager takes up the post on March 9, 2017.

(ii) Information that the counterpart in the director, supervisor, manager and substantial shareholder's stock right transfer is the interested party: NA.

(iii) Information that the counterpart in the director, supervisor, manager and substantial shareholder's pledge of stock right is the interested party: NA.

viii. Information that the top ten shareholders in shareholding are of interested party, spouse or relatives within second degree relationship mutually:

May 3, 2017 Unit: thousand shares; %

Name	Individual shareholding	Shareholding of spouse, minor children	Total shareholding in the name of other person	If the top ten shareholders are of interested party, spouse or relatives within second degree	notes

							relationship mutually, the name of or relationship between them.		
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Yi Tai Investment Co., Ltd.	25,765	14.97	0	0	0	0	Hui Hong Investment Ruentex Global	Enterprise under the same Group	NA
Representative of Yi Tai Investment Co., Ltd.: Zhang Kunlong	0	0	0	0	0	0	NA	NA	NA
Hui Hong Investment Co., Ltd.	15,545	9.03	0	0	0	0	Yi Tai Investment Ruentex Global	Enterprise under the same Group	NA
Representative of Hui Hong Investment Co., Ltd.: Liu Zhongxian	0	0	0	0	0	0	NA	NA	NA
Ruentex Industries Ltd..	7,733	4.49	0	0	0	0	Yi Tai Investment Hui Hong Investment	Enterprise under the same Group	NA
Representative of Ruentex Industries Ltd..: Wang Qifan	0	0	0	0	0	0	NA	NA	NA
British Virgin Islands Alpha Corporate Ltd.	5,971 (Notes)	3.47	0	0	0	0	NA	NA	NA
British Virgin Islands Alpha Corporate Ltd. Representative: Ken, Chung-Hsuan	27	0.02	0	0	0	0	NA	NA	NA
Zheng Xiuzhen	3,014	1.75	0	0	0	0	NA	NA	NA
Michael N. Chang	2,361	1.37	0	0	0	0	NA	NA	NA
Weng Yuxiu	1,805	1.05	0	0	0	0	NA	NA	NA

Vanguard Emerging Markets Stock Index Fund,A Series of Vanguard International Equity Index Funds	1,793	1.04	0	0	0	0	NA	NA	NA
Xu Hongzhao	1,562	0.91	0	0	0	0	NA	NA	NA
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	1,444	0.84	0	0	0	0	NA	NA	NA

(Notes) It includes the number of shares held by British Virgin Islands Alpha Corporate Ltd. and the special investment account of British Virgin Islands Alpha Co., Ltd. under trustee custody of E.Sun Bank.

ix. Number of shareholding of the Company; the director, supervisor, manager of the Company, and the enterprise under direct or indirect control of the Company in the same reinvestment enterprise, and the consolidated comprehensive shareholding ratio:

April 30, 2017 Unit: share; %

Reinvestment enterprise (Notes 1)	Investment of the Company		Investment of director, supervisor, manager and enterprise under direct or indirect control		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
OBI Pharma Limited	600,000	100%	0	0%	600,000	100%
OBI Pharma (Shanghai) Limited (Notes 2)	0	0%	0	100%	0	100%
OBI PHARMA USA,INC.	2,701,000	100%	0	0%	2,701,000	100%

Notes 1: It is the investment of company by adopting Equity Method. The Company had completed the incorporation registration of Hong Kong OBI Pharma Limited, OBI Pharma (Shanghai) Limited and OBI PHARMA USA, INC. in November 2012, March and April 2013 respectively.

Notes 2: Hong Kong OBI Pharma Limited has reinvested in OBI Pharma (Shanghai) Limited in capital and has no shares.

IV. Fundraising Situation

i. Capital and stock

(i) Sources of share capital (in the last five years):

April 30, 2017 Unit: thousand shares; NT$thousand

Month & Year	Issue price	Authorized share capital		Paid-up share capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Sources of share capital	Compensation of shares payment with property other than cash	Other
March 2012	Cash capital increase: NT$15	150,000	1,500,000	136,000	1,360,000	Cash capital increase of 36,000 thousand shares	NA	Approved by Shou-Shang-Zi No. 10101048720 Letter on March 23, 2012
March 2012	Employee stock subscription: NT$10	150,000	1,500,000	136,384	1,363,843	384 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10101048720 Letter on March 23, 2012
September 2012	Employee stock subscription: NT$10	150,000	1,500,000	136,717	1,367,166	332 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10101192650 Letter on September 14, 2012
November 2012	Employee stock subscription: NT$10	150,000	1,500,000	138,252	1,382,520	1,535 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10101239060 Letter on November 16, 2012
April 2013	Employee stock subscription: NT$10	150,000	1,500,000	138,951	1,389,515	699 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10201073270 Letter on April 23, 2013
July 2013	Employee stock subscription: NT$10	150,000	1,500,000	139,402	1,394,017	450 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10201139840 Letter on July 17, 2013

October 2013	Cash capital increase: NT$158 and employee stock subscription: NT$10	150,000	1,500,000	148,996	1,489,959	Cash capital increase of 9,494 thousand shares and 100 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10201217180 Letter on October 29, 2013
March 2014	Employee stock subscription: NT$10	150,000	1,500,000	149,189	1,491,892	193 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10301044610 Letter on March 14, 2014
July 2014	Employee stock subscription: NT$10	150,000	1,500,000	149,786	1,497,857	597 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10301128410 Letter on July 2, 2014
August 2014	Employee stock subscription: NT$10	150,000	1,500,000	149,876	1,498,762	90 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10301165080 Letter on August 12, 2014
October 2014	Employee stock subscription: NT$10	150,000	1,500,000	149,994	1,499,935	117 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10301211920 Letter on October 8, 2014
January 2015	Employee stock subscription: NT$10	300,000	3,000,000	150,267	1,502,672	273 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10401006770 Letter on January 16, 2015
March 2015	Cash capital increase: NT$310	300,000	3,000,000	170,267	1,702,672	Cash capital increase of 20,000 thousand shares	NA	Approved by Shou-Shang-Zi No. 10401056370 Letter on March 30, 2015
April 2015	Employee stock subscription: NT$10	300,000	3,000,000	170,656	1,706,564	389 thousand shares of employee subscription right have	NA	Approved by Shou-Shang-Zi No. 10401071630 Letter on April 27, 2015

						been executed		
July 2015	Employee stock subscription: NT$10	300,000	3,000,000	170,697	1,706,974	41 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10401172200 Letter on August 18, 2015
October 2015	Employee stock subscription: NT$10	300,000	3,000,000	170,720	1,707,120	23 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10401249070 Letter on November 27, 2015
January 2016	Employee stock subscription: NT$10 NT$247.40	300,000	3,000,000	170,970	1,709,702	250 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10501028350 Letter on February 15, 2016
April 2016	Employee stock subscription: NT$10, NT$214.42, NT$227.62, NT$247.40	300,000	3,000,000	171,200	1,711,995	230 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10501117520 Letter on June 2, 2016
July 2016	Employee stock subscription: NT$10, NT$214.42, NT$227.62, NT$247.40	300,000	3,000,000	171,465	1,714,645	265 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10501212150 Letter on August 29, 2016
October 2016	Employee stock subscription: NT$10, NT$214.42, NT$227.62, NT$247.40	300,000	3,000,000	171,584	1,715,838	119 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10501276980 Letter on November 30, 2016
January 2017	Employee stock subscription: NT$10, NT$214.42, NT$247.40	300,000	3,000,000	172,013	1,720,132 (Notes)	429 thousand shares of employee subscription right have been executed	NA	Approved by Shou-Shang-Zi No. 10601039450 Letter on March 27, 2017

Notes: The Company has 172,061,080 outstanding shares in total, number of shares issued in employee's exercise of subscription right is 47,826 shares, totally NT$478,260 is still pending for change of registration.

May 3, 2017 Unit: share; %

Class of shares	Authorized share capital			Notes
	Outstanding shares	Unissued shares	Total	
Ordinary shares	172,061,080 (Notes)	127,938,920	300,000,000	OTC shares

Notes: Including 862,000 company shares in buyback.

(ii) Shareholder structure:

May 3, 2017 Unit: thousand shares

Shareholder structure / Quantity	Government institution	Financial institution	Other juridical person	Individual person	Foreign institution and foreigner	Total
Number of person	0	2	116	15,689	359	16,166
Number of shareholding	0	812	61,550	81,823	27,876	172,061
Shareholding ratio (%)	0	0.47	35.77	47.55	16.21	100

(iii) Dispersion of stock right:

May 3, 2017; Unit: thousand shares; %

Classification of shareholding		Number of shareholders	Number of shareholding	Shareholding ratio (%)
1 to	999	2,623	362	0.210
1,000 to	5,000	11,012	20,825	12.103
5,001 to	10,000	1,207	9,283	5.395
10,001 to	15,000	441	5,611	3.261
15,001 to	20,000	232	4,167	2.422
20,001 to	30,000	236	5,929	3.446
30,001 to	50,000	167	6,445	3.746
50,001 to	100,000	112	7,769	4.515
100,001 to	200,000	50	6,567	3.817
200,001 to	400,000	41	11,220	6.521
400,001 to	600,000	12	5,518	3.207
600,001 to	800,000	8	5,520	3.208
800,001 to	1,000,000	5	4,401	2.558
Over 1,000,001		20	78,444	45.591
Total		16,166	172,061	100.000

(iv) List of major shareholders:

Name, shareholding amount and proportion of the shareholders with over five percent share proportion or the top ten shareholders in share proportion

May 3, 2017; Unit: thousand shares; %

Name of major shareholders \ Share	Number of shareholding	Shareholding ratio
Yi Tai Investment Co., Ltd.	25,765	14.97%
Hui Hong Investment Co., Ltd.	15,545	9.03%
Ruentex Industries Ltd..	7,733	4.49%
British Virgin Islands Alpha Corporate Ltd.	5,971 (Notes)	3.47%
Zheng Xiuzhen	3,014	1.75%
Michael N. Chang	2,361	1.37%
Weng Yuxiu	1,805	1.05%
Special account for stock index fund in Van Gogh Gard emerging market under trustee custody of Standard Chartered Bank	1,793	1.04%
Xu Hongzhao	1,562	0.91%
Advanced starlight total international stock index under trustee custody of JP Morgan	1,444	0.84%

(Notes) It includes the number of shares held by British Virgin Islands Alpha Corporate Ltd. and the special investment account of British Virgin Islands Alpha Co., Ltd. under trustee custody of E.Sun Bank.

(v) Market price, net value, earnings, dividend per share and relevant materials in the last two years:

Unit: NT$; thousand shares

Item \ Year			2015	2016	As at April 30, 2017
Market price per share	Maximum		755	718	368
	Minimum		250	226	248
	Average		417.36	432.88	301.97
Net value per share	Before distribution		42.08	35.90	33.68
	After distribution		42.08	35.90	33.68
Earnings per share	Weighted-average shares		166,294	170,494	170,852
	Earnings per share		(5.66)	(6.51)	(2.37)
Dividend per share	Cash dividend		Not applicable	Not applicable	Not applicable
	Stock grants	Allotment of shares with earnings	Not applicable	Not applicable	Not applicable

Item \ Year			2015	2016	As at April 30, 2017
		Allotment of shares with capital surplus	Not applicable	Not applicable	Not applicable
	Accumulated unpaid dividends		Not applicable	Not applicable	Not applicable
Return on investment analysis	Price-to-earnings ratio		Not applicable	Not applicable	Not applicable
	Price-to-dividend ratio		Not applicable	Not applicable	Not applicable
	Cash dividend yield (%)		Not applicable	Not applicable	Not applicable

Notes: Financial information in 2015 and 2016 have been audited and certified by the accountant. Net value per share and earnings per share as at April 30, 2017 in current year is the information of the first quarter in 2017 examined by the accountant.

(vi) Corporate dividend policy and execution condition:

1. Dividend policy stipulated in Articles of Incorporation of the Company:
   If the annual general final accounts of the Company have surplus, taxes shall be withheld and accumulated losses shall be covered first, and then 10% will be allocated as statutory surplus reserve, as for the rest thereof, apart from dividend distribution, if there is still surplus, shareholder dividend will be distributed according to the resolution of Shareholders' Meeting. The operating business of the Company belongs to capital intensive industry, and currently the Company is at the stage of operating growth and shall reserve surplus in respond to the funds needed for operating growth and investment, in principle, the Company will adopt balance dividend policy, mutually matched with part stock dividend and part cash dividend, among them, in principle, the cash dividend shall not be lower than 10% of the total dividend issued. Provided the type and ratio of such surplus distribution shall be proposed to Board of Directors for drafting a proposal according to the actual profit and capital position of the current year, and then it shall be resolved in Shareholders' Meeting. In principle, the surplus distribution proposal planned by Board of Directors shall not be less than 10% of distributable surplus, and the cash dividend shall not be less than 10% of total dividend.
2. Situation of dividend distribution to shareholders planned to be (already) discussed in this year:
   The Company had no surplus in 2016, and there was no surplus distribution, hence it was not applicable.

(vii) The impact of stock grants proposed by Shareholders' Meeting this time on company business performance and earnings per share: as passed in board

resolution on March 9, 2017, stock dividend is not distributed due to recovery of losses, hence it is not applicable.

(viii) Employee, director and supervisor remuneration:

1. Percentage or scope of remuneration of employee, director and supervisor stated in Articles of Association:
   If the Company has annual profit, it shall be allocated no less than two percent as employee remuneration and no more than two percent as director remuneration. But when the Company still has accumulated losses, it shall reserve the compensation amount in advance.
   Employee remuneration will be paid in stock or cash, which shall be resolved by the consent of more than half of attending directors in the board meeting attended by more than two third of directors, and reported to the Shareholders' Meeting.
   The object of issuing remuneration in stock or cash mentioned in preceding paragraph may include employees subordinated to the company and conforming to certain conditions, and the conditions and methods thereof will be stipulated by Board of Directors.
2. Estimation base of employee, director and supervisor remuneration in this estimation, the number of shares calculation base for employee remuneration in stock distribution, and accounting treatment when the actual distribution amount is different from and estimated amount:
   (1) Employee, director and supervisor remunerations are not estimated due to the losses in this period.
   (2) If the distribution amount resolved in Shareholders' Meeting is different from the estimated amount in financial statement, it will be deemed as estimated change and listed as distribution of current profits and losses.
3. Situation of remuneration distribution as passed by Board of Directors: the Company had no surplus available for distribution in 2016, hence it was not applicable.
4. For the actual distribution situation of employee, director and supervisor remuneration in last year (including distributed shares, amount and stock price), if it is different from the recognized employee, director and supervisor remuneration, the balance, reason and handling situation shall be specified: the Company had no surplus available for distribution in the last year, hence it was not applicable.

(ix) Situation of the Company in buying back the shares of the Company:

April 30, 2017

Buyback phase	First time (phase)
Buyback purpose	Transfer shares to employees
Buyback period	From February 25, 2016 to April 24, 2016
Buyback interval price	NT$348-933
Class and quantity of shares bought back	862,000 ordinary shares
Amount of shares bought back	NT$386,720,591
Quantity of shares eliminated and transferred	0 share
Accumulated quantity of company shares held	862,000 shares
Proportion of accumulated quantity of company shares held in total shares issued (%)	0.50%

ii. Handling situation of corporate bonds: NA.

iii. Handling situation of special shares: NA.

iv. Handling situation of issuing global depository receipt: NA.

v. Handling situation of employee stock option certificate

(i) Handling situation of employee stock option certificate:

April 30, 2017

Type of employee stock option certificate	First time (phase) employee stock option certificate	Second time (phase) employee stock option certificate
Effective registration date	Not applicable (Notes 1)	July 9, 2013
Issuing date	March 8, 2010	November 27, 2013
Duration	10 years	10 years
Number of issuing unit	7,996,000	4,140,000
Proportion of total shares issued for subscription in total issued shares	4.65%	2.41%
Period available for subscription	One year after the subscription right has been granted with employee stock option certificate	Two years after the subscription right has been granted with employee stock option certificate
Method of performance	Issue new shares for delivery	Issue new shares for delivery

Limited subscription period and proportion (%)	25% subscription right can be exercised after 1 year 50% subscription right can be exercised after 2 years 75% subscription right can be exercised after 3 years 100% subscription right can be exercised after 4 years Starting from the second year, the subscription right can be exercised in equal proportion on monthly basis ever year.	50% subscription right can be exercised after 2 years (namely starting from the third year) Within 24 months after 2 years, for every expiration of one month, the accumulated maximum exercisable subscription proportion will increase by 1/48 75% subscription right can be exercised after 3 years 100% subscription right can be exercised after 4 years (namely starting from the fifth year)
Executed number of shares obtained	5,768,081 shares	799,328 shares
Executed subscription amount	NT$57,680,810	NT$184,116,271
Unexecuted subscription quantity	2,227,919 shares	3,340,672 shares
Subscription price per share for those who have not executed the subscription	NT$10	NT$247.40; NT$214.42; NT$227.62 (Notes 2)
Proportion of unexecuted subscription quantity in total shares issued (%)	1.29%	1.94%
Impact on shareholders' rights and interests	The Company's issue of employee stock option certificate aims at attracting and retaining professional talents, and encouraging and improving employees' centripetal force and productivity, so as to jointly create company and shareholder benefits. From the first to fourth employee stock option certificate, the maximum dilution rate of unexecuted subscription quantity in shareholders' rights and interests is 7.78%.	

Type of employee stock option certificate	Third time (phase) employee stock option certificate	Fourth time (phase) employee stock option certificate
Effective registration date	April 15, 2015	January 20, 2017
Issuing date	May 6, 2015	March 9, 2017

Duration	10 years	10 years
Number of issuing unit	4,679,000	3,145,000
Proportion of total shares issued for subscription in total issued shares	2.72%	1.83%
Period available for subscription	Two years after the subscription right has been granted with employee stock option certificate	Two years after the subscription right has been granted with employee stock option certificate
Method of performance	Issue new shares for delivery	Issue new shares for delivery
Limited subscription period and proportion (%)	50% subscription right can be exercised after 2 years (namely starting from the third year) Within 24 months after 2 years, for every expiration of one month, the accumulated maximum exercisable subscription proportion will increase by 1/48 75% subscription right can be exercised after 3 years 100% subscription right can be exercised after 4 years (namely starting from the fifth year)	50% subscription right can be exercised after 2 years (namely starting from the third year) Within 24 months after 2 years, for every expiration of one month, the accumulated maximum exercisable subscription proportion will increase by 1/48 75% subscription right can be exercised after 3 years 100% subscription right can be exercised after 4 years (namely starting from the fifth year)
Executed number of shares obtained	0 share	0 share
Executed subscription amount	NT$0	NT$0
Unexecuted subscription quantity	4,679,000 shares	3,145,000 shares
Subscription price per share for those who have not executed the subscription	NT$334, NT$283, NT$422; NT$727; NT$420 (Notes 2)	NT$326 (Notes 2)
Proportion of unexecuted subscription quantity in total shares issued (%)	2.72%	1.83%

Impact on shareholders' rights and interests	The Company's issue of employee stock option certificate aims at attracting and retaining professional talents, and encouraging and improving employees' centripetal force and productivity, so as to jointly create company and shareholder benefits. From the first to fourth employee stock option certificate, the maximum dilution rate of unexecuted subscription quantity in shareholders' rights and interests is 7.78%.

Notes 1: The Company was not a public company when issuing employee stock option certificate, hence it was passed in the resolution of Board of Directors Meeting held on March 8, 2010 by the Company according to Article 167-2 of Company Act.

Notes 2: It is issued respectively per board resolution, hence the subscription price per share is otherwise determined pursuant to law.

(ii) Name of managers acquiring employee stock option certificate and top ten employees acquiring subscription quantity in stock option certificate, acquisition and subscription situation:

Unit: thousand shares; NT$thousand

First time employee subscription right	Title	Name	Acquired subscription quantity	Proportion of acquired subscription quantity in total shares issued	Executed				Unexecuted			
					Subscription quantity	Subscription price (NT$)	Subscription amount	Proportion of subscription quantity in total shares issued	Subscription quantity	Subscription price (NT$)	Subscription amount	Proportion of subscription quantity in total shares issued
Manager	Vice Chairman and Global Clinical and Legal Chief Planner (Resigned)	Youe-Kong Shue	6,180	3.59%	4,562	10	45,620	2.65%	1,618	10	16,180	0.94%
	General Manager	Amy Huang										
	Chief Scientific Officer	Tony Yu										
	Vice President, Quality Assurance & Supply Chain	Richard Tseng										
	Director of Clinical Medicine Division (Resigned)	Yuxin Lin										
	Senior R&D Director (Resigned)	Weicheng Liao										

	Director of Business Development Division (Resigned)	Minshuo Li										
	Vice President, Finance	CT Wang										
	Audit Manager	Neo Chien										
	Director of Human Resources Division (Resigned)	Peihua Bao										
Employee	Senior Manager	Suifen Zhang	1,064	0.62%	583	10	5,832	0.34%	481	10	4,808	0.28%
	Director of Financial Division (Resigned)	Xuemei Yao										
	Manager of Clinical Operation Division (Resigned)	Yuman Huang										
	Senior Admin Manager of R&D Division	Lina Ke										
	Manager of R&D Division of American subsidiary (Resigned)	Zhengqi Wang										
	Manager of Pharmacy R&D Division (Resigned)	Jiaxin Xiao										
	Deputy Director of Product Planning Division (Resigned)	Huihua Wu										
	Senior Manager in immune antibody, R&D Division	Yiru Chen										
	Researcher of R&D Division (Resigned)	Jingyi Zhuang										
	Deputy Director, Clinical Operation (Resigned)	Jingrong Zhang										

Notes: Unexecuted subscription quantity includes 703 thousand shares of managers and employees Resigned, which have been canceled.

Unit: thousand shares; NT$thousand

Second time employee subscription right	Title	Name	Acquired subscription quantity	Proportion of acquired subscription quantity in total shares issued	Executed				Unexecuted			
					Subscription quantity	Subscription price (NT$)	Subscription amount	Proportion of subscription quantity in total shares issued	Subscription quantity	Subscription price (NT$)	Subscription amount	Proportion of subscription quantity in total shares issued
Manager	General Manager	Amy Huang	1,535	0.89%	96	214.42 ~ 247.40	22,186	0.06%	1,439	214.42 ~ 247.40	326,079	0.83%
	Chief Operating Officer (Resigned)	Joanna Meng										
	Chief Scientific Officer	Tony Yu										
	Vice President, Quality Assurance & Supply Chain	Richard Tseng										
	Sr. Director, R&D	Jiann-Shiun Lai										
	Director, R&D	Edward Hsieh										
	Director, Clinical Operation	Maggie Yang										
	Vice President, Finance	CT Wang										
	Director, Human Resources & Administration	Rose Lo										
	Audit Manager	Neo Chien										
Employee	Chief Business Officer of American subsidiary	Kevin Poulos	1,470	0.85%	166	214.42 ~ 247.40	40,509	0.10%	1,304	214.42 ~ 247.40	311,431	0.75%
	Chief Operating Officer of American subsidiary	Mitch Che										
	Global Pharmaceutical & Legal Deputy General Manager of American subsidiary	David Hallinan										

	Deputy Director, Human Resources & Administration of American subsidiary	Dee Warren										
	Director, Commercial	Pedro Chen										
	Director, Investor Relati	Gus Adapon										
	Deputy Director of Information and Procurement Division (Resigned)	Junbo Zhang										
	Director, Public Relations & Government Affairs	Sharon Lee										
	Manager of R&D Division of American subsidiary (Resigned)	Zhengqi Wang										
	Senior Manager of Procurement Division	Yanling Sun										

Notes: Unexecuted subscription quantity includes 197 thousand shares of managers and employees Resigned, which have been canceled.

Unit: thousand shares; NT$thousand

Third time employee subscription right	Title	Name	Acquired subscription quantity	Proportion of acquired subscription quantity in total shares issued	Executed				Unexecuted			
					Subscription quantity	Subscription price (NT$)	Subscription amount	Proportion of subscription quantity in total shares issued	Subscription quantity	Subscription price (NT$)	Subscription amount	Proportion of subscription quantity in total shares issued
	Chief Medical Officer and Deputy General Manager for Clinical Drug Research and Development (Resigned)	Nathan Chen										
	Vice President, Translational Medicine, R&D Division (Resigned)	Phoebe Yu										

Manager	General Manager	Amy Huang	2,265	1.32%	0	334 ~ 420	0	0%	2,265	334 ~ 420	807,852	1.32%
	Director, Commercial Medicine	Jon Jih Liao										
	Chief Scientific Officer	Tony Yu										
	Chief Operating Officer (Resigned)	Joanna Meng										
	Vice President, Quality Assurance & Supply Chain	Richard Tseng										
	Sr. Director, R&D	Jiann-Shiun Lai										
	Vice President, Finance	CT Wang										
	Director, Human Resources & Administration	Rose Lo										
	Director, R&D	Edward Hsieh										
	Director, Clinical Operation	Maggie Yang										
	Director, Commercial	Pedro Chen										
	Director, Investor Relati	Gus Adapon										
	Director, Public Relations & Government Affairs	Sharon Lee										
	Audit Manager	Neo Chien										
Employee	Chief Business Officer of American subsidiary	Kevin Poulos	1,094	0.64%	0	334 ~ 422	0	0%	1,094	334 ~ 422	413,190	0.64%
	Senior Business Development Director in Asia Pacific	Xiaofeng Yu										
	Chief Operating Officer of American subsidiary	Mitch Che										

	Global Pharmaceutical & Legal Deputy General Manager of American subsidiary	David Hallinan										
	Deputy Director of Clinical R&D Division	Jianzhi Ou										
	Deputy Director of Information Division	Rujin Yang										
	Deputy Director, Legal Affairs and Intellectual Property	Jay Chen										
	Pharmaceutical & Legal Deputy Director of American subsidiary	Patricia Ha										
	Deputy Director, Human Resources & Administration of American subsidiary	Warren Dee										
	Senior Manager of Clinical Project Group, Clinical Operation Division	Liang Chengxin										

Notes: Unexecuted subscription quantity includes 920 thousand shares of managers and employees Resigned, which have been canceled.

Fourth time employee subscription right	Title	Name	Acquired subscription quantity	Proportion of acquired subscription quantity in total shares issued	Executed				Unexecuted			
					Subscription quantity	Subscription price (NT$)	Subscription amount	Proportion of subscription quantity in total shares issued	Subscription quantity	Subscription price (NT$)	Subscription amount	Proportion of subscription quantity in total shares issued
Manager	Chief Operating Officer	Max Chan	1,435	0.83%	0	326	0	0%	1,435	326	467,810	0.83%
	Vice President, Statistic & Biometrics	Sophia Lee										

	General Manager	Amy Huang										
	Vice President, Medical and Clinical Development	Cristina Chang										
	Chief Scientific Officer	Tony Yu										
	Vice President, Quality Assurance & Supply Chain	Richard Tseng										
	Vice President, Finance	CT Wang										
	Sr. Director, R&D	Jiann-Shiun Lai										
	Director, Human Resources & Administration	Rose Lo										
	Director, R&D	Edward Hsieh										
	Director, Clinical Operation	Maggie Yang										
	Director, Investor Relati	Gus Adapon										
	Director, Commercial	Pedro Chen										
	Director, Public Relations & Government Affairs	Sharon Lee										
	Director, Commercial Medicine	Jon Jih Liao										
	Director, Legal Affairs and Intellectual Property	Jay Chen										
	Audit Manager	Neo Chien										
	Chief Operating Officer of American subsidiary	Mitch Che										
	Chief Business Officer of American subsidiary	Kevin Poulos										

Employee	Global Pharmaceutical & Legal Deputy General Manager of American subsidiary	David Hallinan	545	0.32%	0	326	0	0%	545	326	177,670	0.32%
	Senior Business Development Director in Asia Pacific	Xiaofeng Yu										
	Deputy Director of Medical Division	Lingya Huang										
	Deputy Director of Clinical R&D Division	Jianzhi Ou										
	Deputy Director of Information Division	Rujin Yang										
	Pharmaceutical & Legal Deputy Director of American subsidiary	Patricia Ha										
	Deputy Director, Human Resources & Administration of American subsidiary	Warren Dee										
	Senior Manager of Commercial Division	Dajun Zhu										

vi. Handling situation of restricted stock awards: NA.

vii. Handling situation of acquiring or transferring shares of other company to issue new shares:

In the last year and as at the publication date of annual report, the Company has not acquired or transferred the shares of other company to issue new shares, nor it is passed by board resolution to acquire or transfer the shares of other company to issue new shares. Descriptions on the ongoing acquisition or transfer of shares of other company to issue new shares are as follows:

The Company has signed the equity swap memorandum of understanding with AbProtix, Inc., juridical person shareholder of Yuen Cheung Life Technology Co., Ltd. in December 2016. In order to facilitate the sharing and cooperation of technology resources in research and development, manufacturing and marketing etc., under the precondition that the Company is satisfied with the results of onsite inspection on Yuen Cheung Life Technology Co., Ltd., it is planned that the Company will issue new shares as the consideration to receive no more than 70% of shares of Yuen Cheung Company

held by AbProtix, Inc. pursuant to the provisions in Company Act and other relevant laws. Currently this investment case is still under negotiation, relevant rights and obligations, equity swap and cooperation details still need to reach an agreement approved by Board of Directors of both parties and relevant competent authorities, and it will be handled according to the equity swap cooperation contract officially signed by and between both parties. The major transaction contents of this memorandum of understanding do not have legal binding effect, and only describe the cooperative intention and consensus of both parties, currently they have not caused any impact on the financial affairs and business of the company.

viii. Execution of fund application plan

(i) Plan contents: as at the first quarter of 2017, the previous cash capital increase plan has been completed, contents are as follows:

1. Date of approval by competent authority of target business and document No.: approved by Zheng-Gui-Shen-Zi No. 1030035504 Letter on January 16, 2015.
2. Total fund needed in this plan: NT$6,200,000 thousand.
3. Fund source: issue 20,000,000 ordinary shares in cash capital increase, the issuing price per share is NT$310, and the total fund-raising is NT$6,200,000 thousand.

(ii) Plan progress and application situation:

Unit: NT$ thousand

Plan item	Expected completion date	Total fund needed	Expected fund application progress
			2015
			First quarter
Enrich working capital	March 2015	6,200,000	6,200,000

(iii) Fund application situation and plan execution condition: The cash capital increase of NT$6,200,000 thousand has completed the fund-raising in March 2015, it will be used for enriching working capital according to the execution progress of plan; the current ratio, liquidity ratio and debt ratio etc. after capital increase are better than those before capital increase, and the allocation of fund necessary for future research and development of the Company will increase the future operation stability of the Company, so the execution effect of cash capital increase is good.

Unit: %

Item/Year	December 2014 (Before cash capital increase)	March 2015 (After cash capital increase)

Current ratio	2,118.82	12,523.99
Liquidity ratio	2,035.23	12,457.36
Debt ratio	2.97	0.74

(iv) Date of inputting in the information declaration website designated by Financial Supervisory Commission: March 19, 2015.

V. Operation Overview

i. Business content

(i) Business scope:

1. Major contents of operating business:
   (1) IG01010 Biotechnology Services.
   (2) F108021 Wholesale of Drugs and Medicines.
   (3) F208021 Retail Sales of Drugs and Medicines.
   (4) F401010 International Trade.
   (5) IG02010 R&D Services.
   (6) F601010 Intellectual Property Rights.
2. Operating Income of Major Products in 2016:
   In 2016, the Company's entire product pipeline was still in different stages of research and development, so no operating income was earned from any major product for the current year. On October 2, 2015, the Company signed a product rights transfer contract with Optimer Pharmaceuticals for DIFICID in Taiwan, and this rights transfer was completed in the second quarter of 2016. As a result, the upfront payment of USD 3 million was paid and recognized according to the contract in May 2016.
3. Products Under Development:

   (1) **Adagloxad Simolenin (formerly OBI-822/821)**
   An active immuno-oncology therapy based on the Globo H antigen, Adagloxad Simolenin's clinical trial for breast cancer was conducted in 45 medical centers worldwide. The trial exceeded its patient recruiting target of 342 subjects (349 subjects recruited in total) in July 2014, and topline data was unblinded in February 2016. Despite not meeting its primary efficacy endpoint of Progression Free Survival (PFS), the trial demonstrated to a significant degree that subjects who generated enough Globo H antibodies benefited from an extended period of PFS. These results were presented at the annual meeting of the American Society of Clinical Oncology (ASCO) in June 2016. The Company had its End of Phase 2 (EOP2) Meeting with the US Food and Drug Administration (FDA) in January 2017, and received a written reply from the European Medicines Agency (EMA) regarding questions related to the Company's design of its global Phase III clinical trial for Adagloxad Simolenin. The Company will amend its global Phase III clinical trial accordingly.

   (2) **OBI-833/821**
   A 2nd generation active immuno-oncology therapy based on the Globo H antigen, OBI-833 completed the Dose Escalation Phase of phase I clinical trial for safety, from which the Company designated one dosage and one cancer type for its Cohort Expansion Phase. In 2016, the US FDA permitted the Company to merge its OBI-833/834 clinical phase I investigational new drug application (IND) application into a single OBI-833 IND. The Company plans to carry out an additional OBI-833/834 arm in this Cohort Expansion Phase using the designated dosage and cancer type mentioned above.

(3) **OBI-888**

A passive immuno-oncology therapy based on a monoclonal antibody that targets Globo H, OBI-888 completed a single dose toxicity study in primates with no major adverse reactions identified. It is currently undergoing repeated-dose toxicity studies. The sequence of OBI-888 was filed for international patent application (PCT) and is currently under review (National Phase). An IND application is expected in the fourth quarter of 2017.

(4) **OBI-858 Novel Botulinum Toxin**

A new clostridium botulinum toxin preparation with expected uses in medicine and cosmetology, OBI-858 underwent toxicity studies and bulk clinical-use drug production and drug stability studies that were completed in 2015. The Company is currently working on the development of bacteria-free packing processes of the finished drug as well as dosage form research. In the future, the Company will qualify a cGMP manufacturer to handle production of finished drugs for a clinical studies. The Company is actively seeking a co-development partner to jointly development this drug.

(5) **OBI-868 Glycan array**

A carbohydrate membrane array test reagent that can instantly monitor the concentration of carbohydrate antibodies generated in a patient, OBI-868 is a carbohydrate membrane array that offers greater sensitivity, specificity, and accuracy than the traditional ELISA method. This carbohydrate membrane array has been used for specimen analysis in the clinical trial setting, including the OBI-822 retrospective trial and OBI-833 Phase I clinical trial. Preliminary experimental data indicates that patients who generate enough Globo H IgG antibodies at an early stage will benefit from better progression-free survival. In the future, OBI-868 may be used to assist the Company in relevant tests necessary for the development of carbohydrate-based active immuno-oncology therapies.

(6) **OBI-999**

An Antibody Drug Conjugate (ADC) treatment for cancer that is based on Globo H, OBI-999 uses a Globo H antibody to target cancer cells of high Globo H performance. By releasing a small molecule chemotherapeutic drug through the specificity of the antibody, it directly deploys cytotoxicity therapy at the targeted cancer cells. Preliminary pharmacological studies and animal verification have already been completed, and it is currently undergoing Chemistry Manufacturing Control (CMC) planning and toxicology study design. Proposed patent applications and arrangements are also underway.

(7) **OBI-3424 AKR1C3**

OBI-3424 is a prodrug targeting AKR1C3-enzyme. In May 2017, the Company acquired this asset with the intention to continue research and development and to ultimately commercialize OBI-3424 in major global markets outside of Asia. An IND application is expected to be filed in the first quarter of 2018. The AKR1C3 enzyme is highly expressed in over 15 types of tumors, and is mainly involved in hormone synthesis and the elimination of toxins. Under AKR1C3 enzyme catalysis inside tumor cells, OBI-3424 will be transformed into an active anticancer cytotoxic agent. OBI-3424 is also the most advanced drug under

research and development for this mechanism.

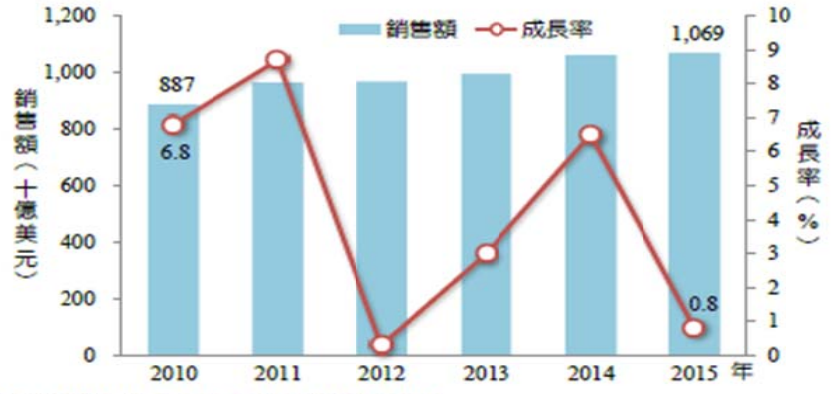
(ii) Industry overview:

1. Global drug market conditions and development trends

The global pharmaceutical drug market has maintained stable growth for many years, according to data from QuintilesIMS, and has grown from USD 887 billion in 2010 to nearly USD 1,100 billion in 2015, or slightly over +0.8% year-on-year. From 2010 to 2015, the size of the global pharmaceutical market increased USD +182 billion, equivalent to a Compound Annual Growth Rate (CAGR) of +3.8%.

Different rates of economic development from country-to-country and volatility in international exchange rates over the past 5 years have directly affected the development of the global drug market as have the slowdown in global economic growth and the impact caused by a strong US dollar on the performance of overall drug market growth. From the perspective of demand and supply, the continuous pressure to reduce medical expenditure encourages countries to focus on long-established medicines to reduce costs. Meanwhile, patients hope to use breakthrough drugs that they believe to offer better efficacy, driving demand and further incentivizing the launch of expensive new therapies. Medical cost controls and the increases in the prices of breakthrough medications will become the key factors in the development of the global drug market, which is expected to grow by +3.3% in 2016 and break USD 1.1 trillion in annual sales.

2010～2015 Changes in the Global Pharmaceutical Market



資料來源：IMS Health；DCB 產資組 ITIS 計畫整理

North America is the largest regional market, with the US the largest single drug market in the world. North America's growth was driven by the launch of

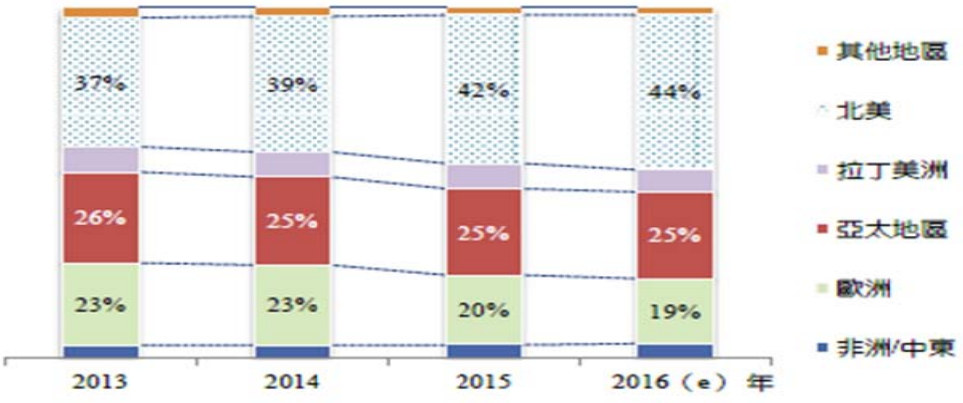
new drugs and preferential drug prices, among other factors, and accomplished better growth performance in the last three years. The region's market share of the global pharmaceutical market grew from 37% in 2013, to 39% in 2014, to 42% in 2015, and is expected to reach 44% in 2016.

Asian-Pacific region recorded the rapid growth in drug market in the last 10 years, and the global market share maintained at 25~26% stably in recent years, the second largest regional drug market in the world. Asian-Pacific region includes Japan - the second largest drug market in the world, and China Mainland, with better growth performance among emerging markets. Japan was affected by USD exchange rate in recent years, according to its market growth performance calculated based on USD, it declined dramatically by 11.4% in 2015, but it grew by 6.2% if calculated based on JPY, mainly benefited from the successive launch of new drugs by transnational pharmaceutical factories in Japan, which drove the overall market growth, however, it is noteworthy that Japan has been actively promoting the use of generic drugs in recent years, driving a rapid increase trend of generic drugs in both application amount and sales volume, it is expected that it will affect the development of Japan drug market. Among emerging drug markets, China Mainland belongs to Tier 1 emerging market, namely the emerging market of higher growth and relative larger market scale, despite the growth rate in China Mainland slowed down in recent years, it still accomplished the performance of over 10%, in the future, it will still be one of the important drug markets worldwide. Other high growth markets attracting attentions in Asian-Pacific region include India, Indonesia, Vietnam etc. in South Asia/Southeast Asia markets, the high population growth rate and economic growth increases the demands in medical treatment, which is the major driving force for the growth of drug markets in South Asia/Southeast Asia.

Europe is the third largest regional drug market in the world, due to the slowdown in economic growth development and impact of exchange rate, the scale of its drug market declined continuously, in 2015, the drug market in Europe recorded USD212 billion, sharply declined by 12.6% comparing with 2014. The market share of Europe in global drug market also declined year by year from the 23% in 2013 to 20% in 2015; in the future, countries in Europe will still be affected by the economic change and cost control in medical treatment etc., so is the development of overall drug market, it is expected that

the market share in 2016 will continuously decline to 19%. Latin America is the fourth largest regional market, whose market share maintained at about 7% in the last three years, and the market share in Africa and Middle East was 4%, these two major emerging regional drug markets recorded rapid growth in recent years, but due to the impact of unstable economy, politics and currency etc., the development of drug market will still be restricted.

2013~2016 Changes in global regional drugs market share



資料來源：IMS Health；DCB 產資組 ITIS 計畫整理

By observing the rankings of drugs of efficacy category worldwide, great changes have taken place over the years, before 2009, the largest drug category worldwide was hypotensive drugs, but since 2010, the antineoplastic drugs have replaced the hypotensive drugs to become the first largest medication category worldwide and have been ranking the first stably for the subsequent 5 years. But for the traditional medication categories such as drugs for mental disease and cardiovascular drugs ranking in the top position before, their rankings have been dropped gradually due to the lack of new drugs launch to the market, mature patents in various drugs, and decrease in market scale medication year by year; the cardiovascular drugs ranked the first in 2009, and dropped to No. 3 in 2012 and No. 5 in 2015; and drugs regulating blood lipid even dropped out of the top 10 rankings in 2015.

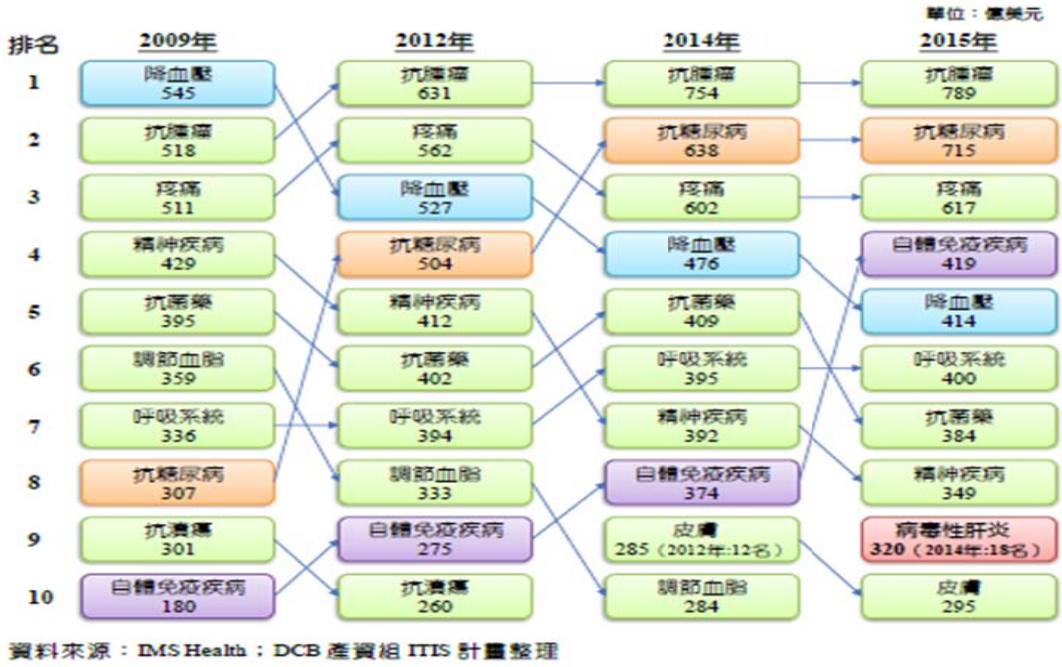
In 2015, the medication category ranked the first was anti-neoplastic drugs, grew by 4.6% year-on-year and with market scale reached to USD78.9 billion; with the increasing incidence and prevalence of cancer, the market of anti-neoplastic drugs had been growing continuously, with CAGR from 2009 to 2015 at 7.3%, among anti-neoplastic drugs, the target drugs grew the fastest, especially for anti-neoplastic target drugs such as Rituxan/MabThera, Avastin

and Herceptin etc., which achieved excellent market sales performance in global anti-neoplastic drugs market, it is expected that the anti-neoplastic target drugs will continue to occupy an important status worldwide up to 2020.

Anti-diabetic drugs still ranked No. 2 in 2015 and with market scale reached to USD71.5 billion; the anti-diabetic drugs were the medication category grew quickly in recent years, whose medication market scale recorded 15.1% CAGR from 2009 to 2015, among the anti-diabetic drugs, there were mainly insulin drugs, and the GLP-1 ARB drugs and SGLT-2 inhibitor drugs were the major impetus for market growth in recent years. With the increase in diagnosis and attack rate of autoimmune diseases worldwide year by year, and most of the drugs for autoimmune diseases were the new biopharmaceuticals at high price, make the drugs for autoimmune diseases become another medication category of high growth, with 15.1% CAGR from 2009 to 2015; in 2009, the market scale was USD18 billion, ranking No. 10 among the drugs of efficacy category, and the ranking rose up to No. 4 in 2015 with market scale increased sharply to USD41.9 billion.

Among the top 10 medication categories in 2015, the noteworthy efficacy category was the drugs for viral hepatitis, it recorded rapid market growth in the last 3 years and was the new special drugs category in the ranking; in 2013, its market scale was only USD590 million, in 2014, due to the good sales performance of Sovaldi, the new star new drug for hepatitis C from Gilead Sciences, the market scale of drugs for viral hepatitis grew to USD18.2 billion, ranking No. 18 in the ranking of medication category; in 2015, together with the good sales performance in Harvoni, another new drug applicable to genotype 1 hepatitis C from Gilead Sciences, continuously drove the ranking of drugs for viral hepatitis rising to No. 9, in 2015, the market scale grew sharply year-on-year, up to USD32 billion.

Changes in the rankings of top 10 efficacy drug categories worldwide in 2009, 2012, 2014 and 2015



2. Current development status of drug market of our country:

The total population of our country has been increasing year by year, but the growth rate is not high, according to the population statistics of the Ministry of the Interior, as at December 2015, the population of our country was 23.49 million, only grew by 0.3% year-on-year, from the perspective of population structure, the aging trend was very obvious, in 2015, the proportion of population over the age of 65 was 12.5%, increased sharply comparing with the 9.7% in 2005.

From the perspective of changes in medical environment, according to the statistics of BMI, in 2015, the medical expenditure of our country was about USD32.95 billion, due to the conversion in exchange rate, it slightly declined by 0.6% comparing with 2014, but grew by 4.1% if calculated based on New Taiwan Dollar; and the pr5oportion of medical expenditure in GDP maintained at 6.3%, and the per capita medical expenditure also declined slightly comparing with 2014, recorded USD1,409.1 in 2015. With respect to the number of hospitals, the total number of hospitals maintained at 495 in 2015, among them, there were 81 public hospitals and 414 private hospitals, accounting for 16.4% and 83.6% respectively.

With the speed up of population aging in our country, the medical demands

continue to increase, according to the statistics of BMI, the drug expenditure per capita increased from the USD22.31 billion in 2012 to USD23.56 billion in 2015, and the medical expenditure of our country also increased year by year, in order to reduce the medical costs, the government of our country continued to control the medical expenditure through adjustment of premium rate, co-payment and controlling the price of drugs applicable to health insurance.

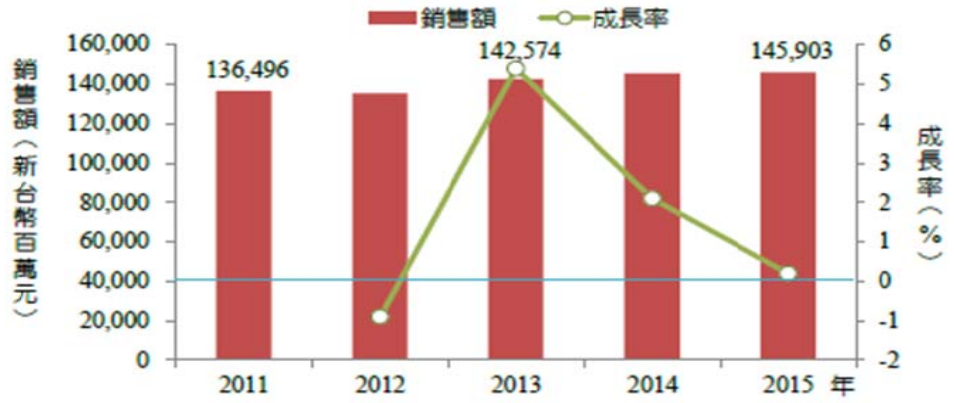
Under such environment, despite the drugs market scale in our country had been increased stably over the years, since 2000, the price of drugs applicable to health insurance was adjusted once every two years, which was the important key for the growth of drug market in our country, in 2012, the drug market of our country recorded negative growth due to the adjustment of drug price; starting from 2013, the government ran a pilot scheme to implement the "Drug Costs Target System" for two years, taking the amount exceeding the target value of drug costs as the upper limit for drug price adjustment, since the drug costs in 2014 exceeded the target value, National Health Insurance Administration announced to reduce the prices of 6,821 drugs on February 6, 2015, reduced by an average of 5.3%; due to the impact of drug price control for health insurance, the growth of drug market in our country reduced again, according to the statistics of IMS Health, in 2015, the drug market in our country only slightly grew by 0.2% year-on-year, with the market scale of NT$145.9 billion.

Current status of medicine and health environment of our country in 2015

指標項目	現況
人口（百萬人）	23.5
65 歲以上人口占比（%）	12.5
人均 GDP（美元）	22,294
實質 GDP 成長率（%）	0.7
醫療支出（億美元）	329.5
醫療支出占 GDP 比率（%）	6.3
人均醫療支出（美元）	1,409.1
醫院家數	495
公立醫院（家數）	81
私立醫院（家數）	414

資料來源：行政院主計總處，內政部統計處，BMI；DCB 產資組 ITIS 計畫整理

2011～2015 drugs market changes in our country



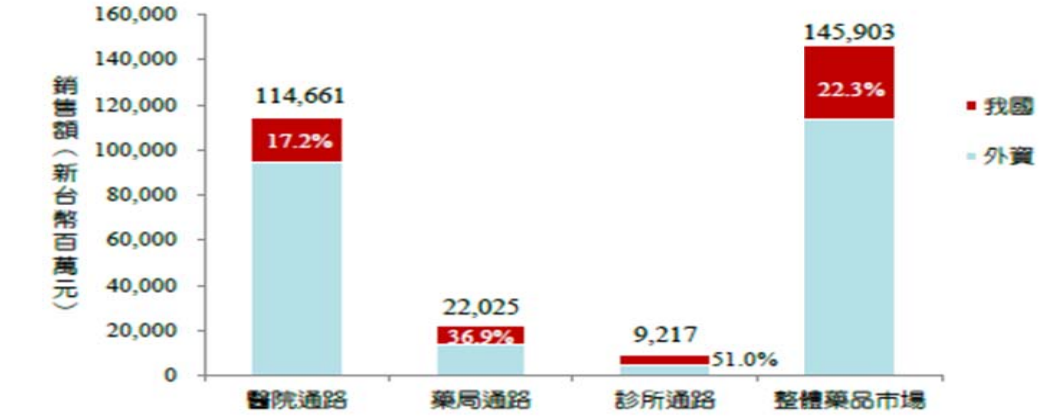
資料來源：IMS Health；DCB 產資組 ITIS 計畫整理

In respect of the channel structure of drug market in our country, hospitals were accounting for 78.6%, the highest, with market scale reached to NT$114.66 billion in 2015; secondly it was the drugstores, accounting for 15.1% and with market scale of NT$22.03 billion, and the clinics took up the least proportion in drug market, which was 6.3% and with market scale of NT$9.22 billion. From the perspective of growth performance, in 2015, due to the price adjustment for health insurance, the hospital channel declined by 0.1% year-on-year, and the channels in clinics and drugstores grew by 1% and 1.6% year-on-year respectively.

Over the years, the drug market in our country had been controlled by foreign pharmaceutical factories, in 2015, in the drug market in our country, the product sales volume of foreign pharmaceutical factories was accounting for 77.7%, whilst the product sales volume of domestic pharmaceutical factories was only accounting for 22.3%. Over the years, hospital channel had been the main battlefield for foreign pharmaceutical factories, from 2012~2014, the market share of pharmaceutical factories of our country in hospital channel maintained at about 17.6%, and declined to 17.2% in 2015; with active arrangement in drugstore channel by domestic pharmaceutical factories, the market share of domestic pharmaceutical factories in drugstore channel increased gradually since 2011 (with market share of 34.5%), and the market share maintained between 36.7~37% from 2012 to 2015; over the years, the clinics channel had been the major marketing channel for domestic pharmaceutical factories, despite the impact of occupation by foreign pharmaceutical factories in clinics channel in recent years, the market share declined slightly, but still higher than that of foreign pharmaceutical factories; in 2015, the market share of domestic

pharmaceutical factories in clinics channel reached to 51%, with market scale grew by 3.7% year-on-year.

Scale of channels and proportion of manufacturers in drug market of our country in 2015

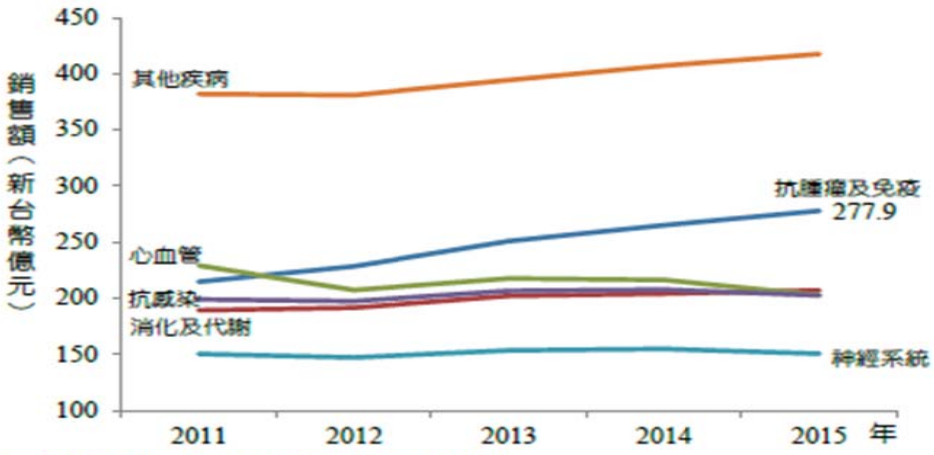


資料來源：IMS Health；DCB 產資組 ITIS 計畫整理

In the last five years (2011~2015), in the drug market of our country, the top 5 efficacy drug categories remained unchanged, mainly the changes in ranking, in 2015, the top 5 efficacy drug categories in our country included anti-neoplastic and immunomodulator drugs, digestive tract and metabolic drugs, cardiovascular drugs, anti-infection drugs and nervous system drugs, the total amount in top 5 drugs market reached to NT$104.13 billion, accounting for 71.4% of market share.

According to the analysis on the annual changes in top 5 efficacy drug categories, anti-neoplastic and immunomodulator drugs ranked the first major drugs in our country, the sales volume in 2015 was NT$27.79 billion, with Compound annual growth rate (CAGR) from 2010 to 2015 reached to 6.7%; the market share of cardiovascular drugs declined due to the substitution effect of generic drugs because of the mature patent of best-selling drugs, from the first major drugs in 2011, dropped to the second place in 2012, and further dropped to the third place in 2015 with 6.2% of compound annual growth rate; but the digestive tract and metabolic drugs grew all the way, grew by 1.5% year-on-year, occupying the second place; the sales of anti-infection drugs recorded slow growth performance, and the ranking dropped from the third place to the fourth place in 2015; and the nervous system drugs had been ranking No. 5 stably over the years.

Changes in the sales of top 5 drugs of efficacy category in drug market of our country from 2011~2015



資料來源：IMS Health；DCB 產資組 ITIS 計畫整理

3. New drug development industry and its relevance to upstream, midstream and downstream:

After experiencing several decades of development in the past, the modern pharmaceutical industry has formed a mature industrial chain in European and American markets, from the study on new drug development, production, marketing to generic drugs market, it all has a certain development and labor division mode. Since drugs are used in human body, hence the drugs safety and effectiveness must be strictly controlled by competent authority of national governments. Take micromolecule new drug development as an example, the research and development of drug is a series of complicated, time consuming and capital-intensive processes, it is estimated that only one new drug can be researched and developed successfully to come into market from 10,000 candidate molecules, the average success rate is 0.01%, hence it always takes 15 years or even longer for a drug to come into market, and the average research and development expenditure at least reaches to USD1.2 billion. Therefore, comparing with other general industries, pharmaceutical industry has the following features: under strictly management of government competent authority, high technical threshold, long research and development duration, high cost and high risk, combined industry crossing technical fields, market specialization, large product market, long life cycle and high profit.

US drug development and review procedure

階段	新藥探索	臨床前試驗		臨床 I 期	臨床 II 期	臨床 III 期	NDA 申請	IV 期
所需年數	5	1.5		1～2	2～3	2～3	1～2	2
試驗對象	實驗室	實驗室及動物試驗	IND 申請	20～100 個健康受試者	100～500 個自願病患	1,000～5,000 個自願病患	登記審核核准	上市後新藥監視（FDA 要求）
目的	發現候選藥物	評估安全性及生物活性		決定安全性及使用劑量	評估有效性，監視副作用的產生	確認有效性，做長期之副作用監視		
成功率	評估 10,000 個化合物	250 個化合物進入臨床前		5 個化合物進入臨床			1 個化合物核准	

資料來源：FDA；DCB 產資組 ITIS 計畫整理

(1) New drug exploration:
The new drug exploration usually finds the new lead compound through the new research object found in the research of upstream basic research units, such as school, research institution or laboratory of pharmaceutical factory. Then carries out biological activity assessment on lead compound, test from in vitro to in vivo, such as from enzyme, receptor, G-protein, cell, tissue, organ, living animals to all kinds of disease animal models etc., the research on functioning molecular level is good for compounding and improving the drug of optimization, and it can understand the due pharmacological efficacy, physiological reaction, side effect and interaction between drugs of the drug. A lead compound with drug efficacy usually needs to further compound thousands of derivatives, after assessing and comparing their activity, toxicity, stability and pharmacokinetics, select several potential candidates to enter into the pre-clinical trial at the next stage.

(2) Pre-clinical trial:
In pre-clinical trial, chemical synthesis or extraction of drug, pharmaceutical analysis study, pharmacodynamics, pharmacokinetics and toxicology study and pharmaceutics study will be carried out. This period usually takes about 1.5 years to carry out the following trials:

A. Synthesis or extraction:
Based on the known effect of therapeutic drugs or from the functional mechanism of physiology or disease, carry out continuous tests and experiments to find out the new compound of better activity, identify its chemical structure, and then extract from natural sources or carry out small-scale production in the manner of artificial synthesis.

B. biological activity detection and pharmacological test:
Through the way of animal, cell tissue or cell cultivation or computer simulation, carry out efficacy test study, screen out compounds of

activity effect to detect the scope of best activity performance.

C. Drug dosage, dosage form and stability test:
Determine the dosage range and dosage form suitable for human body use, such as water agent, tablet, capsule, ointment, spray, patch etc., find out the stable and effective component and auxiliary material and excipient suitable for human body absorption.

(3) Investigational New Drug (IND) application:
After the end of pre-clinical trial, the research result and clinical trial plan can be attached to propose Investigational New Drug (IND) to the competent authority, so as to carry out human body clinical trial. Take USA as an example: during the 30 days of IND review period, if competent authority doesn't propose any doubt and consideration, applicant can start to carry out clinical trial after 30 days.

(4) Clinical trial:
The purpose of clinical trial is to confirm the effectiveness and safety of new drug to human body, applicant appoints clinical doctor to carry out the trial, and it can only be executed after passing the review of Institutional Review Board (IRB), the clinical trial is divided into three phases:

A. Phase I clinical trial:
Take 20~100 voluntary health adults to carry out safety test, the purpose is to establish the tolerance of human body to different dosages, and create materials related to the absorption, distribution, metabolism and excretion of drug in human body; usually this period takes 1~2 years.

B. Phase II clinical trial:
Take 100~500 voluntary patients to carry out controlled effectiveness test, the purpose is to test the most suitable dosage, effect, tolerance and side effect when applying to human body, this period takes 2~3 years on average.

C. Phase III clinical trial:
Take 1,000~5,000 patients to carry out large-scale or even transnational effectiveness test, the purpose is to verify the efficacy of phase II trial with greater samples, and find out the undiscovered adverse reaction, and to acquire all materials related to indication, taboo and side effect of new drug, usually this period takes 3~5 years, or depends on the design of clinical trial and receiving progress.

(5) New Drug Application (NDA):
After completing clinical trial successfully, trial results (including pre-clinical trial results) and all relevant materials can be prepared to propose New Drug Application (NDA) to the competent authority, namely

the examination registration procedure, the review period takes about 1~2 years on average. If in those materials it can prove that the new drug under application has better therapeutic or preventive effect than the drugs in the market on the same disease, it will have the opportunity to enter into quick review procedure to shorten the review period to about 6 months.

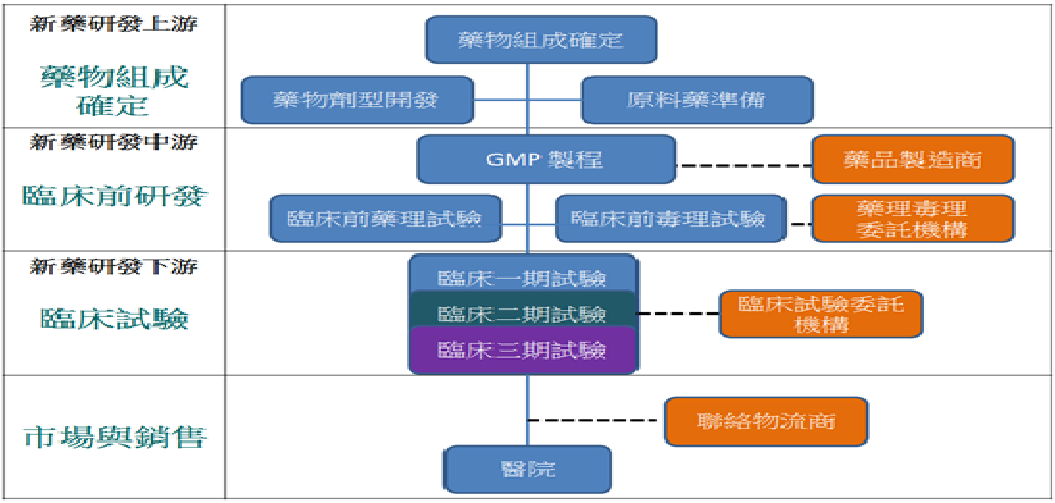
(6) Post-marketing surveillance:
The post-marketing surveillance of drug, the indispensable part to ensure medication safety of the public, through adverse drug reaction report system, clinical doctor will monitor the long term reaction after using the new drug, so as to carry out post-marketing surveillance of the drug.

During such long new drug research and development process, how to effectively connect the upstream, midstream and downstream of the industry to shorten the development schedule to accelerate the launch of product is a very important key for competition. From the study on upstream basic science, combine the outstanding domestic academic research achievement into the midstream technology development and application, and private practitioners closely cooperate with relevant juridical persons to develop the downstream drug commercialization and marketing strategy, so as to promote the joint development of production, management, academics and research of Taiwan biotechnology industry, making the biotechnology of Taiwan develop more extensively and comprehensively, and further march towards international market.

Based on innovation, apart from emphasizing independent research and development, OBI Pharma also actively seeks for new drug research and development case of development potential from all walks of academics and research, so as to reduce the cost input at the early stage of new drug research and development. And accelerates to complete product development through effective management of drug development procedures at exploration stage to launch on the market. The operation model of OBI Pharma research, development and marketing add value, apart from rooting in research and development energy and self-establishing marketing team, the production part is outsourced in combination of domestic manufacturing capacity. The object of outsourcing partner will give priority to the local manufacturers in Taiwan, so as to assist the new biotechnological drug to root in Taiwan. According to such model, the thing first introduced by OBI Pharma is the OBI-822 already completed clinical phase I trial in Memorial Sloan-Kettering Cancer Center

(MSKCC), then it is the OBI-833 and OBI-868 still at the pre-clinical stage and introduced from Academia Sinica; meanwhile, based on the internal research and development capacity, the R&D team of OBI has independently researched and developed the OBI-888 and OBI-999. Regardless of the case acquired from technology transfer or of independent research and development, OBI Pharma will spare no efforts to execute the pre-clinical and clinical phase I, II, and III trials under the most outstanding management team and high efficient management model, and further apply for medicament license to promote the launch of new drug. OBI hopes to create international Taiwan brand through such operation model, and to base in Taiwan and expand the horizon worldwide.

OBI Pharma adopts the operation model of research and development and marketing add value to create the industrial economy at home and abroad, relevance of upstream, midstream and downstream of the industry is as shown in the following photo:



4. Taiwan industrial competitiveness analysis:

The pharmaceutical industry of our country includes bulk drug, preparations of western medicine and traditional Chinese medicine. The bulk drug manufacturers mainly product bulk drugs of effective components, the products are of less categories but of large quantity, most of them are mainly exported. Preparations manufacturers process bulk drugs to product preparations, there are 143 of them in total, and about 50 of them are the manufacturers of preparations of western medicine passing the PIC/S GMP evaluation, and have certain productivity. But Taiwan pharmaceutical industry mainly produces generic drugs with expired patent, because the domestic market is small, products are of small quantity, large categories and high homogeneity, the drug

prices are low, and the competition is fierce. Taiwan pharmaceutical industry already has new drug development capacity, the analysis on competitiveness and industry trend are as follows:

Advantage - The capacity of Taiwan in new drug clinical trial is strong, taking an advantage in Asia. Apart from excellent medical environment and rich experience of clinician involving in new drug clinical trial, there are plenty of patients which can represent the east Asian race in Taiwan, therefore, Taiwan possesses the conditions of becoming the development base for early clinical trial, developing phase I/II clinical trials, and attracting international cooperation with such achievements. Besides, Taiwan has high education level and has cultivated many biotechnology and pharmaceutical related talents both at home and abroad, further consolidating Taiwan industry capacity.

Weakness - Lack of experience is the difficult problem in Taiwan biotechnology industry. How to enrich the industrial experience of Taiwan biotechnology talents and establish the confidence of capital market for long-term support of biotechnology and pharmaceutical industry is the challenge of Taiwan currently.

Development trend - Since biotechnological industry is an industry of high risk, high investment, long term and high profit, for the investment to biotechnological new drug development in Taiwan, we need to introduce R&D talents and management team with international view within a short term, and jointly bear the development risk through strategic alliance with foreign companies, which is good for entering into international market. In medium and long term, we are in need of cooperation among Industry, Official and University, and talents cultivation to base on Taiwan and look around the world. In the course of growth, we are in need of continuous fund-raising, strategic alliance or going through corporate combination to compete with world first class pharmaceutical factories.

5. OBI product competitiveness analysis:
   OBI Pharma takes new drug research and development in self-orientation, challenging the fields of disease still lack of effective treatment currently, hoping to make up the unsatisfied medical demand with innovative drugs, so as to improve people's health and life quality. The Company takes cancer and infectious disease as the core therapeutic field, taking the carbohydrate antigen

"Globo Series" on cell surface having high effect on multiple cancers as the target, and actively developing a series of innovative cancer therapy new products, so as to develop into the first-class biotechnology industry in Taiwan. At the early stage of development, the Company refers to the market demand and future competitiveness as the basis for subject selection, analysis on the competitiveness of each product is as follows:

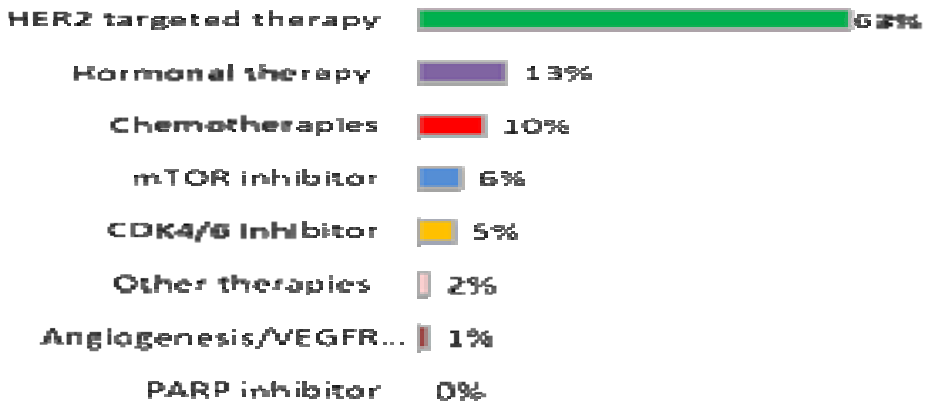
(1) OBI-822, OBI-833 active immune anti-cancer drugs:

As far as safety is concerned, OBI-822 and OBI-833 are the new medicaments for active immunotherapy, fighting against cancer through training the immune system of human body, the dosage needed is very low, and they only occur on the surface of cancer cells at the cancer target, hence they have no harm to normal cell tissue. The active immunotherapy has the advantage of relatively durable effect and low side effect, people from all walks of life are eagerly hoping that it can improve and change the cancer therapy, bringing the therapy safer and more effective than the current chemical therapy and target therapy to the cancer patients. OBI-822 is absorbed through subcutaneous injection, and outpatient treatment will be fine. According to the clinical data currently collected, when patients are accepting OBI-822 treatment, the side effect is mostly limited to the red and swollen and pain phenomenon occurred at the injection part, obviously far lower than the side effect in general cancer chemical therapy and target therapy, effectively improving the life quality of patients and their families.

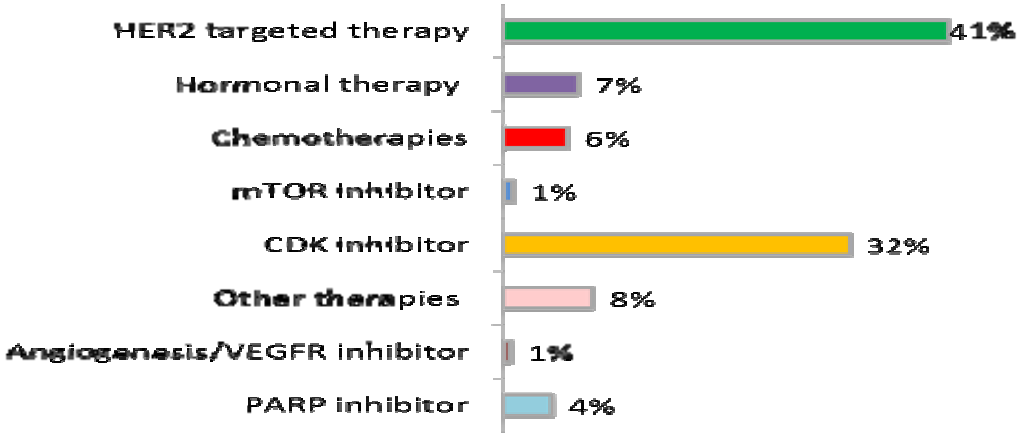
Analysis on breast cancer market trend - in 2015, the sales amount reached to USD13.8 billion, and it is expected to reach to USD26.2 billion in 2022 with annual growth rate of 9.6%. In 2015, the largest category in the market was drugs for HER2 targeted therapy, with 63% of market share, the market share of rising star CDK4/6 inhibitor was about 5%, it is expected that its market share will grow up to 32% in 2022, on the contrary, the market share of drugs for HER2 targeted therapy declined from 63% to 41%.

Market share of drug category for breast cancer therapy - internal analysis of OBI

2015



2022



Competitive advantage of OBI-822 - since currently there is no drug for active cancer immunotherapy of breast cancer worldwide, hence OBI-822 has no similar competitor in the market. All patients with positive Globo series carbohydrate antigen can accept the OBI-822 therapy, approximately accounting for over 60~80% of breast cancer groups; these include all kinds of groups of breast cancer patients, including ER/PR positive/negative patients, HER2 positive/negative patients, and intractable triple negative breast cancer patients having very few choice of drugs. Besides, since such target immunotherapy is not in conflict with other therapies, so regardless of accepting hormonal therapy or other therapy not affecting the immunity of patients, OBI-822 is available for possible combined therapy.

Table of competitive advantages of OBI-822 and the latest breast cancer drugs in the market

	OBI 822	Ibrance®/Kisqali®/ Abemaciclib	Opdivo®/Keytruda®/ Tecentriq®/Bavencio®/Imfinzi®	Alpelisib/Taselisib	Lynparza®/Rubraca®/ Zejula®
Target/MOA	Globo Series	CDK4/6	PD-1/L1	PIK3CA	PARP(BRCA1/2 mutant)
Expression	61%-74% (breast cancer)	na	6.38% (HR+/HER2-)	26% (HR+/HER2-)	8.54% (HR+/HER2-)
FDA approved	na	Breast cancer	NSCLC/RCC/Melanoma/ Urothelial carcinoma/Head & Neck cancer/Hodgkin lymphoma/Merkel cell carcinoma	na	Ovarian cancer
P III development	Breast cancer	Breast cancer	Breast cancer/Gastric cancer/CRC	Breast cancer	Breast cacner
AE	Injection site reaction	Neutropenia/ Leukopenia/Anemia /Fatigue	Dermatitis	Colitis/diarrhea/ hyperglycaemia /pneumonia	Myelodysplastic syndrome/Acute Myeloid Leukemia /thrombocytopenia/ anemia/neutropenia.
Safety profile	+++	+	+	+	+ -

By comparing OBI-822 with other competitive drugs under development and in the market, the differentiation of enzyme CDK 4/6 inhibitor has become the standard target drug for advanced metastatic breast cancer with positive hormone receptor and negative HER2 receptor (HR+/HER2-) after menopause, the first line therapy needs to combine with aromatase inhibitor, including the Ibrance® (palbociclib) launched in 2015 and the Kisqali® (ribociclib) approved in 2017; the CDK4/6 inhibitor used for the second line therapy needs to combine with fulvestrant, including Ibrance® and the Kisqali® and Abemaciclib currently under clinical trial. What is noteworthy is that the side effect of CDK4/6 will cause the reduction of white blood cell count.

The market of drugs for breast cancer is quite large, it also attracts other new drug categories.

- Afinitor® (everolimus): launched to the market in 2009, it is the inhibitor for mTOR (mammalia rapamycin target), and major side effects include stomatitis and non-infectious pneumonia.
- Immune checkpoint inhibitors: such drugs launched to the market in 2014, but among the advanced metastatic breast cancer patients with HR+/HER2- after menopause, only 6% of them with over-expression are the target population, currently it is still at the stage of human clinical trial.
- PI3K (phosphatidylinositol 3- kinase) inhibitor: Among the advanced metastatic breast cancer patients with HR+/HER2- after menopause,

only 26% of them with over-expression are the target population, currently the it is still at the stage of human clinical trial, major side effects include colitis, hyperglycemia and pneumonia.

- PARP (poly ADP-ribose polymerase) inhibitors: such drugs launched to the market in 2015, but among the advanced metastatic breast cancer patients with HR+/HER2- after menopause, only 8% of them with over-expression are the target population, currently the data of breast cancer phase III clinical trial indicate the good efficacy, and major side effect is the blood toxicity.
- For the population of breast cancer patients, apart from those with HR+/HER2- and HER2+, there is triple-negative breast cancer, and currently no standard therapy is available for it, apart from that a few patients with BRCA1/2 mutation (about 8.5%) may receive PARP inhibitor therapy, chemotherapy is the main therapy for others. By comparison, the OBI-822 of OBI Pharma targeting Globo H has effects in 60%~80% breast cancer patients, together with the excellent safety of OBI-822, it will have great development potential in the field of breast cancer therapy in the future.

Both OBI-822 and OBI-833 are the active immune anti-cancer drugs targeting the Globo H antigen on the surface of cancer cells; the Company will continue to assess OBI-822 and OBI-833 on their feasibility of application to the clinical trial of breast cancer or other cancers by exclusive use or combined use in other therapies, so as to differentiate the potential market.

(2) OBI-888 monoclonal antibody passive immunotherapy of cancer:
OBI-888 is the passive immunotherapy monoclonal antibody designed targeting Globo H, aiming at 14 tumors having high performance to Globo H, and it is expected to propose IND application in the fourth quarter of 2017.

According to the data of GlobalData, the turnover of monoclonal antibody drugs curing cancer was USD36.7 billion in 2016, and it is expected to reach to USD71.9 billion in 2023 with annual growth rate of 10%.
The two major leading brands for curing solid tumors are Herceptin® and Avastin®, the turnover of Herceptin® that curing HER2 positive breast cancer and gastric cancer was USD7 billion in 2016, and the turnover of Avastin® that curing colorectal cancer and various cancers was also USD7 billion in 2016, it is expected that both of them will reach to a sales peak at USD7.1 billion (in 2017), but their performance will decline year by year in 2019 due to the mature patent.

The growth momentum of the market of monoclonal antibody drugs curing cancers mainly comes from the immune checkpoint inhibitors (anti-PD-1/PD-L1 monoclonal antibody), there are two major leading brands, namely Opdivo® and Keytruda®, the turnover of Opdivo® that curing melanoma and non-small cell lung cancer and other cancers was USD4.7 billion in 2016, other indications will be developed successively in

2017, and it is expected to reach to USD12.4 billion in 2023; the turnover of Keytruda® that curing melanoma and non-small cell lung cancer and other cancers was USD1.4 billion in 2016, other indications will be developed successively in 2017, and it is expected to reach to USD10.6 billion in 2023.

The carbohydrate antigen molecules identified by OBI-888 are not the same as the drugs mentioned above, their targeted Globo H has about 60%~90% high performance in lung cancer, breast cancer, colorectal cancer, gastric cancer and liver cancer, obviously higher than the target population of Herceptin® (HER2 positive patients: 25%), in the future, OBI-888 has great development potential in the fields of cancer therapy.

(3) OBI-858 New botulinum toxin:
Currently the medical cosmetology market takes micro-plastic as the mainstream, among mainstream products in the market, botulinum toxin, hyaluronic acid, collagen protein, chemical peel (such as tartaric acid, vegetable acid) and laser cosmetology are of large quantity; among them, for the botulinum toxin products, according to the report of GlobalData, the performance of market leading brand Botox® in medical cosmetology and therapeutic field reached to USD2.7 billion in 2016.

According to the forecast of GlobalData, the global market of Botox® will reach to USD4.3 billion in 2023, the compound annual growth rate from 2016~2023 will be 8.8%, which is quite impressive. Due to the great market potential, 5~6 biosimilar drugs will enter into the market successively. OBI-858 is the new botulinum toxin of good stability and safety, the Company masters high quality manufacturing technology, it is expected that its efficacy and safety will be equivalent to the market leading brand Botox® after completing the clinical trial, and then with competitive price, it will enter into the high growing botulinum toxin market.

(4) OBI-999 Globo H micromolecule Antibody Drug Conjugate:
According to the report of GlobalData, ADC only has launched to products (Adcetris® and Kadcyla®) worldwide as at 2016, with turnover of about USD1.4 billion; recently, the IMMU-132 developed by Immunomedics has completed the phase I/II clinical trial, and Seattle Genetics offers the price of US2 billion to purchase the rights to sell IMMU-132 worldwide. OBI-999 is the key development product of the Company.

(5) OBI-3424 AKR1C3 enzyme precursor drug:
The target market of OBI-3424 is to cure the tumor of AKR1C3 high enzyme performance (≥50%), such as liver cancer, drug or operation Castration Resistant Prostate Cancer (CRPC), kidney cancer, gastric cancer, bladder cancer and the T Acute Lymphoblastic Leukemia (T ALL) urgently needed to be satisfied clinically, in the pre-clinical toxicity test, OBI-3424

also shows good safety, hence it will have huge market potential. According to the data of pre-clinical animal experiment, OBI-3424 also shows excellent anti-neoplastic effect in T Acute Lymphoblastic Leukemia; besides, OBI-3424 also has obtained the sponsor from US National Cancer Institute (NCI), jointly carrying out the study plan on T Acute Lymphoblastic Leukemia.

According to the data of GlobalData, in 2016, the turnover of drugs for liver cancer therapy in seven major markets (five countries in Europe, US, Japan) was USD446 million (USD471 million worldwide), and it is expected that the turnover in seven major markets will be USD638 million (USD954 million worldwide) in 2022. According to the statistics, the survival rate of liver cancer patients is only 17.6%, hence many liver cancer patients are urgently in need of new therapeutic drugs to prolong life-span. In liver cancer market, the Standard of Care is Nexavar® (sorafenib), whose patent will lose effect in 2020, in 2016, its turnover worldwide was USD446 million, and it is expected to be USD178 million (along with generic drugs) in 2022. According to the data of pre-clinical animal experiment, OBI-3424 shows excellent anti-neoplastic effect in the model of hepatoma cell lines, even in the cell lines resistance to sorafenib, it will make the tumor disappear in two weeks, it has excellent efficacy superior to Sorafenib.

According to the data of GlobalData, in 2016, the turnover of drugs for prostatic cancer therapy in nine major markets (five countries in Europe, US, Japan, Brazil, Canada) was USD5.024 billion (USD7.928 billion worldwide), and it is expected that the turnover in nine major markets will be USD7.602 billion (USD9.941 billion worldwide) in 2022, among them, CRPC is accounting for about eighty percent of the patients receiving hormone standard of care therapy, it has great market potential in the future.

(iii) Technology and research and development overview:

1. Innovative drug mechanism and exclusive production technology of the Company:

(1) Globo series carbohydrate cancer immunotherapy:

Globo series carbohydrate is the new anti-cancer object found in recent years, it only effects in cancer cells and will not affect the existing characteristics in normal cells, together with the role it plays upon the spreading of cancer cells, which makes it become an ideal anti-cancer object. OBI chooses to use advanced active immunotherapy of cancer to develop such innovative drugs of carbohydrate antigen, introducing the research achievements of Memorial Sloan-Kettering Cancer Center (MSKCC) and Academia Sinica to develop OBI-822 and OBI-833. Apart from the active immunotherapy targeting Globo H, the Company also has OBI-888 and OBI-999 under the research and development of passive monoclonal antibody immunotherapy and micromolecule antibody-drug conjugate, both of them are targeting the particularity of Globo H in cancerated cells to kill the cancer cells. Currently, the latest research points

out that, Globo series carbohydrate effects on the surface of more than 14 cancer cells, hence such therapies has the advantages of high specificity and therapeutic safety, and the potential of large application scope to cancer cells. The products planned by OBI will develop Globo series products for refractory cancers such as breast cancer, colorectal cancer, pancreatic cancer, lung cancer and gastric cancer etc., hoping to provide cancer patients safer and more effective choice than the existing drugs.

(2) OBI Special carbohydrate production technology, large-scale

chemo-enzymatic process:
The method of traditional chemical synthesis of carbohydrate molecules needs to go through several protecting groups and de-protecting groups before getting carbohydrate molecules compound needed, such chemical synthesis method needs to consume a lot of time and operation steps, and multiple operational steps will finally cause extremely low productivity, it is lack of possibility for commercial production , and thereby restricts the development of active immune anti-cancer drugs and cannot be pushed forward to clinical research.

OBI introduces the technology of polysaccharides production through technology transfer from US Optimer Pharmaceuticals Inc. and Academia Sinica, breaking through the dilemma in the past decades, in which despite scientists had found the important role played by carbohydrate in cancer treatment, but mass production cannot be proceeded. Now, OBI owns the most sophisticated carbohydrate production technology, it can break through the bottleneck that carbohydrate cannot be extensively applied in new drugs R&D and mass production, dramatically reduce synthetic procedures and production costs, allowing carbohydrate drugs can enter into medical market through mass production.

OBI special carbohydrate production technology can effectively produce the final product needed, such chemical synthesis method. Due to the development of such technology, the commercialized production of carbohydrate molecules will no longer a unattainable dream, establishing the foundation of cancer immunotherapy.

Large-scale chemo-enzymatic process further produces hexaose with the carbohydrate through enzymes after several steps of reaction, this is the updated breakthrough after OBI special carbohydrate production technology. OBI's technology is transferred from the large-scale enzyme synthesis from Academia Sinica, it breaks through the traditional concept that the functional groups of carbohydrate molecules need to be protected upon chemical synthesis of carbohydrate molecules. Such new technology directly utilizes the specificity of enzyme inside bacteria, assisted by all kinds of appropriate reagents for synthesis, synthesizing monosaccharides into polysaccharides one by one under the status without protecting

carbohydrate molecules. Also due to such invention, the synthesis steps of Globo H carbohydrate molecules are simplified into several steps, in the future, pretreatment of monosaccharides will no longer be needed before production, but can use natural carbohydrates to produce polysaccharides, dramatically improving productivity and reducing costs, and reducing the environmental pollution caused by chemical drugs.

(3) Synthetic technology of glycoprotein active immune anti-cancer drug:
After chemical crosslinking of Globo H and KLH (hemocyanin), bulk drug of active immune anti-cancer drug OBI-822 will be obtained. Such chemical synthesis technology is the achievement of OBI team by combining the said polysaccharides immunotherapy technology and sophisticated carbohydrate synthesis technology through joint hard work and gradual adjustment and optimization, technologies related to key production steps and control parameters are completely mastered by OBI, it is expected that when coming into the market in the future, it can produce drugs of consistent quality under optimized conditions and good quality control environment, so as to ensure the safety and effectiveness of patients using drugs, and provide to needed patients for use for a long term.

(4) Antibody drug conjugate technology:
After the chemical crosslinking of the antibody and the chemotherapy molecular capable of killing cancer cells, a new generation conjugate drug targeting cancer cells will be obtained, known by the name of Antibody Drug Conjugate. The principle of such new generation drug utilizes the specific functional group at antibody amino acids, after appropriate chemical activation, effectively crosslinks the chemotherapy molecular capable of killing cancer cells to the antibody. After the drug has been injected into human body, through the specificity of antibody, it can ensure that the toxic compounds can only be released in the areas of human body generating cancer cells, so as to kill the cancer cells effectively, meanwhile, it will not affect the growth of other normal cells in human body. OBI-999 is the leading drug of OBI in such research and development field.

2. R&D overview:
Progress of new drug research and development projects of OBI Pharma is as follows:

(1) **Adagloxad Simolenin (formerly OBI-822/821)**
An active immuno-oncology therapy based on the Globo H antigen, Adagloxad Simolenin's clinical trial for breast cancer was conducted in 45 medical centers worldwide. The trial exceeded its patient recruiting target of 342 subjects (349 subjects recruited in total) in July 2014, and topline data was unblinded in February 2016. Despite not meeting its primary efficacy endpoint of Progression Free Survival (PFS), the trial demonstrated to a significant degree that subjects who generated enough Globo H antibodies benefited from an extended period of PFS. These results were presented at the annual meeting of the American Society of Clinical Oncology (ASCO) in June 2016. The Company had its End of Phase 2 (EOP2) Meeting with the US Food and Drug Administration (FDA) in January 2017, and received a written reply from the European Medicines Agency (EMA)

regarding questions related to the Company's design of its global Phase III clinical trial for Adagloxad Simolenin. The Company will amend its global Phase III clinical trial accordingly.

(2) **OBI-833/821**

A 2nd generation active immuno-oncology therapy based on the Globo H antigen, OBI-833 completed the Dose Escalation Phase of phase I clinical trial for safety, from which the Company designated one dosage and one cancer type for its Cohort Expansion Phase. In 2016, the US FDA permitted the Company to merge its OBI-833/834 clinical phase I investigational new drug application (IND) application into a single OBI-833 IND. The Company plans to carry out an additional OBI-833/834 arm in this Cohort Expansion Phase using the designated dosage and cancer type mentioned above.

(3) **OBI-888**

A passive immuno-oncology therapy based on a monoclonal antibody that targets Globo H, OBI-888 completed a single dose toxicity study in primates with no major adverse reactions identified. It is currently undergoing repeated-dose toxicity studies. The sequence of OBI-888 was filed for international patent application (PCT) and is currently under review (National Phase). An IND application is expected in the fourth quarter of 2017.

(4) **OBI-858 Novel Botulinum Toxin**

A new clostridium botulinum toxin preparation with expected uses in medicine and cosmetology, OBI-858 underwent toxicity studies and bulk clinical-use drug production and drug stability studies that were completed in 2015. The Company is currently working on the development of bacteria-free packing processes of the finished drug as well as dosage form research. In the future, the Company will qualify a cGMP manufacturer to handle production of finished drugs for a clinical studies. The Company is actively seeking a co-development partner to jointly development this drug.

(5) **OBI-868 Glycan array**

A carbohydrate membrane array test reagent that can instantly monitor the concentration of carbohydrate antibodies generated in a patient, OBI-868 is a carbohydrate membrane array that offers greater sensitivity, specificity, and accuracy than the traditional ELISA method. This carbohydrate membrane array has been used for specimen analysis in the clinical trial setting, including the OBI-822 retrospective trial and OBI-833 Phase I clinical trial. Preliminary experimental data indicates that patients who generate enough Globo H IgG antibodies at an early stage will benefit from better progression-free survival. In the future, OBI-868 may be used to assist the Company in relevant tests necessary for the development of carbohydrate-based active immuno-oncology therapies.

(6) **OBI-999**

An Antibody Drug Conjugate (ADC) treatment for cancer that is based on Globo H, OBI-999 uses a Globo H antibody to target cancer cells of high Globo H performance. By releasing a small molecule chemotherapeutic drug through the specificity of the antibody, it directly deploys cytotoxicity therapy at the targeted cancer cells. Preliminary pharmacological studies and animal verification have already been completed, and it is currently

undergoing Chemistry Manufacturing Control (CMC) planning and toxicology study design. Proposed patent applications and arrangements are also underway.

(7) **OBI-3424 AKR1C3**

OBI-3424 is a prodrug targeting AKR1C3-enzyme. In May 2017, the Company acquired this asset with the intention to continue research and development and to ultimately commercialize OBI-3424 in major global markets outside of Asia. An IND application is expected to be filed in the first quarter of 2018. The AKR1C3 enzyme is highly expressed in over 15 types of tumors, and is mainly involved in hormone synthesis and the elimination of toxins. Under AKR1C3 enzyme catalysis inside tumor cells, OBI-3424 will be transformed into an active anticancer cytotoxic agent. OBI-3424 is also the most advanced drug under research and development for this mechanism.

3. R&D personnel and their education background & experience:

Full-time personnel	Title	Education background	Relevant experience
Michael N. Chang	Chairman	Senior Research Doctor, Massachusetts Institute of Technology Doctor of Organic Chemistry, Brandeis University	With over 30 years of R&D and management experience in pharmaceutical companies such as Merck, Aventis, ArQule, Pharmanex and Optimer Pharmaceuticals etc., responsible for supervising and assisting in the development of various new western medicine, among them three of them were approved by US FDA to launch on the market, personally owns 35 product patents, and has published over 60 research articles in famous scientific journals worldwide.
Tony Yu	Chief Scientific Officer	Doctor of Pharmacy of University of Michigan Doctor of Clinical Pharmacy of University of Florida	With 35 years of new drug research and development and management experience in major international pharmaceutical companies, including leading candidate drug modification (from research and development to the stage of IND), drug delivery research and formulation development ()from IND to the stage of NDA, and has won the "Ebert Prize" issued by American Academy of Pharmacy. Once served as the Deputy Director of Bristol Myers Squibb, new drug General Manager of MICROBIO. Canyon Pharma Co-founder, President and CSO
Richard Tseng	Vice President, Quality Assurance & Supply Chain	Doctor of Clinical Chemistry, Cleveland State University	With 30 years of quality management / quality control experience, familiar with Taiwan and US GMP laws and regulations; once served in American Cyanamid Company, American Home Product as Technology Director, responsible for quality management and product research and development; when serving as Senior Director in Nu Skin, responsible for global product quality control.
Cristina Chang	Vice President, Medical and Clinical Development	Physician of Spanish Medical University / Doctor of International Relations, Birmingham University	Surgeon of Spanish Medical University, Doctor of International Relations, Birmingham University, with years of abundant experience in global pharmaceutical industry, joined Novartis in 2005, and once worked in Astor Health Leacom, Abbott, Sanofi and Celgene till 2016, totally 11 years, taking several important posts successively, including Medical Director, in charge of Taiwan, Korea, Hong Kong and Macau, the responsible person of several new drug development plans, and Asia Pacific Clinical Development General Director, ensuring smooth acquisition of medicament license. Before entering into pharmaceutical industry, Physician Zhang once was the Head of Surgical Department in

Full-time personnel	Title	Education background	Relevant experience
			Spanish Medical University Hospital, with comprehensive practical experience in cancer therapy.
Sophia Lee	Vice President, Statistic & Biometrics	Doctor of Biostatistics, Boston University	Doctor of Biostatistics, Boston University, with 20 years of experience in biostatistics, currently the design expert for SAS and other statistical programs, skilled in immunology, cardiology, neurology and AIDS treatment. With solid leadership and supervision experience in drug R&D statistics, in the aspect of assuring the integrity and quality of clinical trial, has abundant experience in regulatory submission, clinical research and development plan, trial protocol design and development, clinical study report, statistical analysis plan and statistical analysis label and publication etc. Once was the senior statistician of the Center for Biostatistics in AIDS Research, School of Public Health, Harvard University and the Statistics Director of Biogen.
Jiann-Shiun Lai	Sr. Director, R&D	Doctor of Inheritance Institute, State University of New York at Stony Brook	Postdoctoral Research of Massachusetts Institute of Technology, Genetics Doctor of Cold Spring Harbor Laboratory, Stony Brook University, and Master in Microbiology and Immunology, National Yang-Ming University; with over 20 years of experience in monoclonal antibody new drug research and development and management, including leading candidate drugs screening, optimization, mass production cell line development, pre-clinical pharmacological, pharmacokinetic and toxicity test design. Once served as the Consultant in the fields of biotechnology, medicine and living materials chemistry in Technology Division of Ministry of Economic Affairs; Group Leader of Protein engineering Group, Biopharmaceutical Institute, Development Center for Biotechnology (DCB), Assistant Researcher of Biomedical Institute, Academia Sinica.
Jon Jih Liao	Director, Commercial Medicine	Department of Medicine, Taiwan University	20 years of experience in medical field, nearly 14 years of evidence-based medicine experience, and with experience in clinical laws and regulations and major international pharmaceutical factory BMS and Eli Lilly Medical Advisor.
Maggie Yang	Director, Clinical Operation	Master of Institute of Medical and Veterinary Science, National Chung Hsing University	Once served as Clinical Research Deputy Director/Manager, Quality & Executive Manager in Pfizer; Clinical Research Director / Specialist in Glaxo Wellcome; and Clinical Research Manager in Dutch GlaxoSmithKline.
Edward Hsieh	Director, R&D	Doctor of Chemistry Institute, Simon Fraser University	Specialized in organic synthesis, physical organic chemistry and theoretical chemistry. Over ten years' experience in drug design research and development, production management, analytical method development and quality management, familiar with application requirements in GMP related laws and regulations and international CMC laws and regulations. Once served as Deputy Director of Pharmaceutical Chemistry Research Department in OBI Pharma, Examiner and Researcher of Center for Drug Evaluation and responsible for CMC related drug counseling work, Chemical Pharmaceutical Deputy General Manager of Ningbo Smart Pharmaceutical Co., Ltd., Adjunct Professor of Ningbo Institute of Technology, Zhejiang University, Researcher of Industrial Technology Research Institute.

4. Research and development costs input every year and the technologies or products successfully developed in the last five years:

A. Research and development costs input every year in the last five years:

Unit: NT$ thousand

Item \ Year	2016	2015	2014	2013	2012
Research and development costs	859,480	648,157	485,290	345,482	193,167
Ending paid-up capital	1,716,119	1,707,200	1,499,936	1,489,959	1,382,520
Proportion of research and development costs in paid-up capital (%)	50.08	37.97	32.35	23.19	13.97

B. Technologies or products successfully developed in the last five years:

Product	Development progress	R&D achievements
DIFICID™	Has acquired medicament license and health insurance payment	Has acquired medicament license from Department of Health on September 7, 2012, and approved to launch in Taiwan. In August 2014, it has completed health insurance payment agreement with Department of National Health Insurance. In October 2015, through Optimer Pharmaceuticals, the subsidiary of Merck Sharp & Dohme, the product development and sales right of DIFICID™ in Taiwan was transferred to Merck Sharp & Dohme. OBI has gained signing bonus of USD three million only and will gain the milestone payment and product sales royalty in the future.
Breast cancer active immune anti-cancer drug OBI-822	Global phase III clinical trial under planning	Has completed clinical phase II/III trial in Taiwan, conducting trials in 45 clinical medical centers worldwide, including 15 in Taiwan, 1 in Hong Kong, 13 in USA, 11 in Korea and 2 in India; has received 349 targets in July 2014, and unblinding was conducted in February 2016. Currently, the Company has completed the End of Phase 2 Meeting with US Food and Drug Administration (FDA) in January 2017, the global phase III trial will be planned and executed according to the meeting results.

(iv) Long-term and short-term business development plan:

The Company takes the development of new anti-cancer drugs targeting the unmet medical needs worldwide as the main business. The short term development plan of the Company is to launch the global phase III clinical trial of OBI-822 active

immune anti-cancer drug, and use monoclonal antibodies such as OBI-888 etc. to carry forward human body clinical trial. Meanwhile, the Company will seek for the possibility of cooperation with international pharmaceutical factories.

The long term objective of the Company is to continuously expand product portfolio through product diversification strategy, such as OBI-999 micromolecule Antibody Drug Conjugate and OBI-3424 enzyme precursor drug, together with product life cycle management, so as to finally become a world-class pharmaceutical company for cancer. The Company will feed back such achievements to Taiwan, through increasing employment opportunity, leading bio-technology industry march internationally, creating world class Taiwan brand, and utilizing capital investment and new R&D plan for further investment and contribution to Taiwan; hoping to create value to the shareholders and the company.

ii. Market and production and marketing overview

(i) Market analysis:

1. Sales territory of main commodities:
   Based on the market in Taiwan and with layout worldwide, the Company takes developing into international first-class brand in biotechnology as the objective, strategically, the Company will seek for international pharmaceutical factory as strategic alliance for mutual complements of resources and expertise, so as to accelerate the schedule of commercialization of products under research and development through joint development or licensing etc.
2. Market share:
   OBI-822 and other products are the new drugs under development, hence it is not applicable.
3. Future market supply and demand condition, growth:
   In recent years, the global pharmaceutical industry has been developing towards an active and positive direction, including the improvement of research and development productivity, historic new high in the number of brand new drugs approved to launch on the market, and drugs of breakthrough treatment, such as the launch of Sovaldi used for hepatitis from Gilead Science company, it is predicted that the global pharmaceutical industry will maintain stable growth up to 2020. According to statistics forecast of sales carried out by EvaluatePharma for the top 500 major companies in global pharmaceutical industry, it is estimated that the drug market in 2015 will reach to USD769 billion, and up to USD1 trillion in 2020, among them, the prescription drugs market (generic drugs and prescription drugs other than generic drugs) will reach to USD987

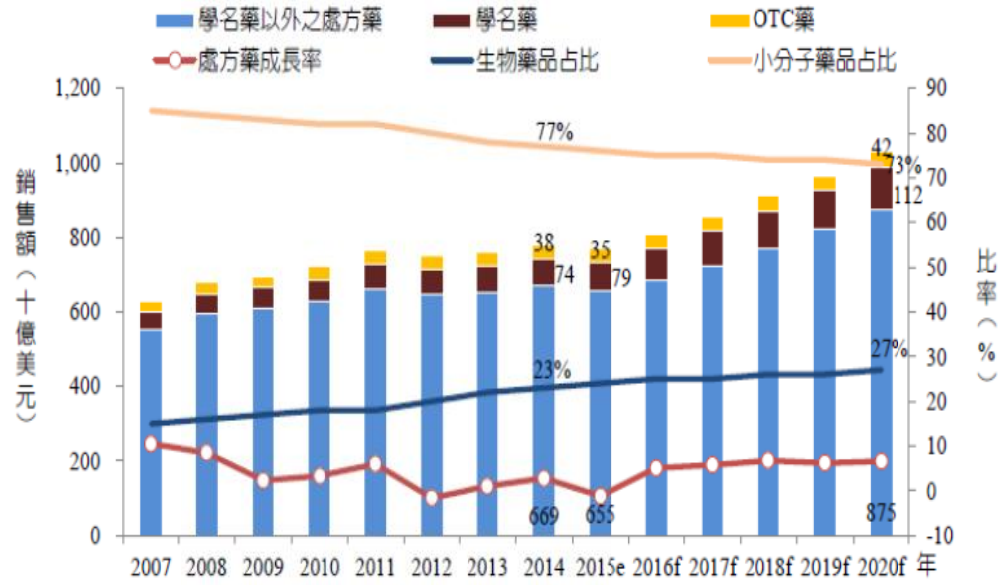
billion. From 2015 to 2020, the Compound Annual Growth Rate (CAGR) of drug market is 6%.

From 2015~2020, sales volume of USD215 billion of drugs worldwide will face the crisis of decline due to patent expiry, and according to the current market forecast, the actual sales losses caused by patent expiry will be about USD99 billion, less than the losses of USD120 billion from 2009~2014, major affecting factor lies in that the successive launch of biological drugs having acquired patent in the subsequent 6 years will slow down the erosion degree of price competition of the generic drugs in global drug market scale.

It is expected that biological drugs will become the major contribution to the global drug market growth in the future, in 2014, among top 100 bestselling drugs worldwide, 44% are biological drugs, and it is expected that there will be 46% of biological drugs among the top 100 drugs in 2020. Generally speaking, the sales volume of biological drugs is accounting for 23% of the global drug market share in 2014, and it will be increased to 27% in 2020.

When making a comprehensive survey on the development of global drug market in the future, the drug market scale will grow continuously. However, what is noteworthy in the future is the global drug market pricing and market access issue, despite currently innovative drugs of "cured" meaning have been developed gradually, the use of such innovative drugs still needs to pay quite high price; from the perspective of government and private medical treatment, it is very obvious that the payers care about the price, and more and more unwilling to provide fund payment or be recommended to use extremely expensive drug therapeutic scheme. As forming the trend of curtail expenditures, in the future, pharmaceutical industry will have to accept the reduction of product price, or actively prove that the product itself can actually cure patients and further reduce the medical expenditure of the country, or the use effect of drug itself is higher than the use cost.

2007～2020 Global drugs market forecast



註：上述數據係針對全球製藥產業 500 大公司進行之統計推估
資料來源：EvaluatPharma；DCB 產資組 ITIS 計畫整理

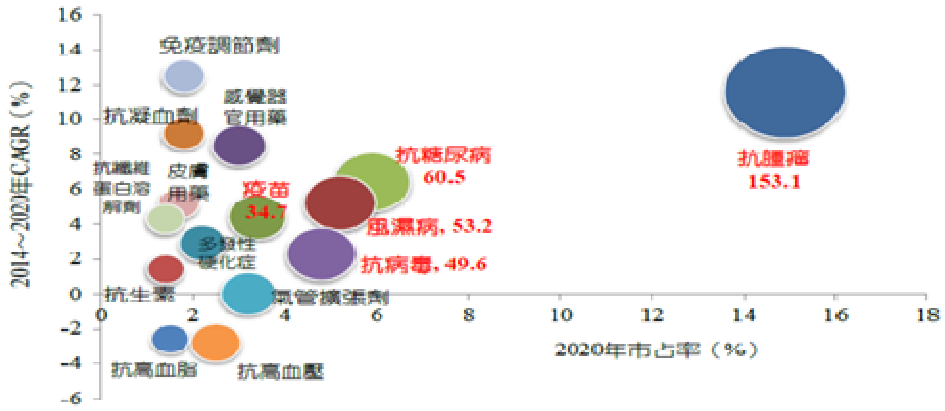
The ranking of drugs of each efficacy category in 2020 will take anti-neoplastic drugs on the top, reaching to USD153.1 billion, with market share of 14.9% in global drug market; from the perspective of future growth, anti-neoplastic drugs is the medication field of second highest CAGR from 2014~2020, up to 11.6%, the main reason for growth is the launch of new cancer immunotherapy drugs targeting PD-1 etc., and the new bestselling drugs of anti-cancer potential such as Perjeta from Roche and Imbruvica from Jonhson & Jonhson etc., it is expected to bring the growth of overall cancer medication market.

Anti-diabetic medication (will reach to USD60.5 billion in 2020, with 5.9% market share), rheumatic disease medication (USD53.2 billion, 5.2%), anti-virus medication (USD49.6 billion, 4.8%), and active immune anti-cancer medication (USD34.7 billion, 3.4%) will be the top 2~5 medication categories worldwide in 2020. The global sales volume of top 15 medications of efficacy category will be about USD561.4 billion in 2020, with market share about 54.7%.

In the future, the medication category growing fastest will be the immunomodulator, with CAGR from 2014~2020 is 12.5%, the market share

will grow from 1.2% in 2014 to 1.8% in 2020, and the sales volume will reach to USD18.6 billion. The anti-hypertension and anti-hyperlipid medications will be the only two items with sales decline among the top 15 medication categories in 2020, with CAGR of -2.8% and -2.6% respectively.

Top 15 drugs of efficacy category worldwide in 2020



註：泡泡大小為 2020 年銷售預測，單位為十億美元
資料來源：EvaluatePharma；DCB 產資組 ITIS 計畫整理

In respond to the preceding extensive medical market demand, the pharmaceutical industry has been developing innovative anti-cancer drugs continuously, apart from that targeting therapy drugs will continuously replace the traditional chemical and radiation therapy, the latest development trend is cancer immunotherapy, in which drugs will directly or indirectly effect in patient's immune system, so as to improve patient's immunity, or block the capability of disease in suppressing immune system, and then achieve the anti-cancer effect. Such brand new immune anti-cancer therapy has attracted great attention in medical industry recently; American and Japanese scholars winning Tang Prize and Biomedical Prize are the pioneers in developing such therapy. Besides, classify according to ingredients, the drug development trend is also changed obviously in recent years, due to the development of traditional micromolecule drugs is almost saturated, and the development of protein drugs is also becoming mature, the breakthrough of the Company in carbohydrate synthesis technology opens a new gate for drug development. In recent years, several researches point out that specific carbohydrate molecule only effects on cancer cell surface, making carbohydrate molecule as the new anti-cancer object. The development of carbohydrate drugs has been deemed as one of the key directions in drug development in 21st century.

The Company targets at global market ever since the establishment, develops strategy according to the trend of international industry, focuses on cancer drugs market, which is of great market demand and expected to grow strongly in the coming ten years, for product development, hoping to make OBI-822 become the first-in-class drug aiming at Globo H series carbohydrate antigen. In the aspect of market strategy, the Company looks forward to long-term operation, selecting the America market of greatest drug business volume, and China market of most potential among emerging markets as the proprietary regions, and planning to cooperate with international big factories for operation in other regions, hoping to provide innovative choice to most breast cancer patients in the fast growing breast cancer therapy market year by year.

Main product lines of the Company include OBI-822, OBI-833 and OBI-888, the "Science Magazine" elected the cancer immunotherapy as the innovative technology in 2013; the analysis report issued by Citibank in 2013 also pointed out that, despite currently the cancer immunotherapy drugs are only accounting for 3% of cancer market, such therapy is of great development potential, it is estimated that it will reach to USD35 billion in 2023. Such huge market potential mainly comes from the inhibitor at cancer immune checking point in new product line and the contribution of new active cancer immunotherapy products, such therapy of utilizing human immune system against cancer will be the mainstream anti-cancer therapy in the future.

4. Competition niche:
   OBI-822, OBI-833 and OBI-888 have the potential of applying to over 14 types of cancers, they are the first-in-class carbohydrate cancer immunotherapy; their anti-cancer mechanisms take the Globo series carbohydrate antigen only effecting on cancer cells and without effecting on normal cells as the target, hoping to provide patients a safe, effective anti-cancer new choice with low side effect, so as to improve treatment result and life quality.

   OBI-999 utilizes Globo H antibody to identify the cancer of high Globo H performance, and carries out direct cytotoxicity therapy by releasing micromolecule chemotherapeutic drugs through the specificity of antibody, it is expected that the market scale of such micromolecule antibody drug conjugate will grow to USD18.1 billion in 2022, it has huge market potential in the future.

   Under the AKR1C3 enzyme catalysis inside tumor cells, OBI-3424 will be

transformed into the metabolin with cytotoxicity to achieve the anti-neoplastic effect, AKR1C3 enzyme has high performance in over 15 types of tumors, and OBI-3424 is the drug of high potential under research and development in this mechanism.

OBI-868 carbohydrate membrane array is capable of monitoring the concentration of carbohydrate antibody generated in the patient, it can assist the development of carbohydrate active immune anti-cancer drug and clinical trial, in the future, carbohydrate membrane array will also devote to assist in relevant tests of OBI needed for the development of carbohydrate active immune anti-cancer drug.

OBI-858 is the new botulinum toxin of good stability and safety, the Company masters high quality manufacturing technology, it is expected to enter into the high growing botulinum toxin market with competitive price after completing the clinical trial.

5. Favorable and unfavorable factors in development prospect and solutions:
   (1) Favorable factor:
   - The core technology of the Company breaks through the traditional bottleneck in carbohydrate synthesis, it can resolve the difficulty that currently carbohydrate cannot be applied extensively in new drug research and development and commercial mass production.
   - The exclusive production technology of OBI can break through product life cycle, making it not easy to be imitated by other competitors, so as to protect the exclusive composition of product.
   - For the active immunotherapy targeting Globo H, its antigen has high specificity to cancers, it is not easy to affect the functions of normal cells, the product effectiveness is high, and the application scope is extensive.
   - The effect of clinical phase I trial of product OBI-822 is significant, the new generation active immune anti-cancer drug OBI-833 can be applied to other cancers, and the market prospect is expectable.
   - The carbohydrate membrane array OBI-868 is applied in relevant tests needed for the development of carbohydrate active immune anti-cancer drug, increasing the success rate in the development carbohydrate active immune anti-cancer drug.
   - The operating research and development team has abundant experience in international new drug development, clinical trial and operating management.
   - Has multiple core products protected by patent.

(2) Unfavorable factor and solutions:

- Most products of OBI are First-in-Class, the research and development and clinical trial have high uncertainty.

  Solutions: the Company plans and executes all kinds of pre-clinical and clinical trials with prudent attitude, regularly consults with scholars and experts to ensure the quality of trial design, and amend the trial direction when appropriate to increase the success rate of trial.
- The clinical trial of breast cancer active immune anti-cancer drug takes longer time and higher costs, once it is not completed within the expected time, it might need to introduce new capital investment.

  Solutions: the Company prudently assess the costs input in the clinical trials of each stage and the risks thereof, appropriately utilizes company resources, maintains communication with shareholders, investors and international cooperative institution, and prepares for fund-raising as early as possible to reduce the operating risk.
- It is late for OBI-858 to enter into botulinum toxin market.

  Solutions: plan to enter into the market through joint development and price advantage.

(ii) Important use and production process of major products:

OBI-822 and OBI-833 and cancer immunotherapy drugs; for relevant production (development) processes, since the drugs used for clinical trial at current stage are the bulk drugs and medicines in outsourcing manufacturing, currently, the processing scale established by outsourced plant is sufficient to supply clinical phase II/III trials carried out in several centers in various countries worldwide. At later stage of clinical trial, we will propose resolutions according to the clinical trial result and future market trend, and consider expanding production domestically, so as to achieve the maximum benefits in company operating strategy. OBI-888 is the drug targeting cancer antibody and OBI-999 is the micromolecule antibody drug conjugate, in respect of production (development) processes, including cell lines development and antibody mass production, they are at the stage of outsourcing manufacturing currently, regarding the current outsourcing manufacturing, the scale of process is sufficient to supply for clinical phase II/III trials carried out in multiple centers in various countries worldwide. At later stage of clinical trial, we will propose resolutions according to the clinical trial result and future market trend, and consider expanding production domestically, so as to achieve the maximum benefits in company operating strategy, OBI-3424 is the drug of micromolecule, and it will be outsourced for production.

(iii) Major raw materials' supply condition

Currently the product raw materials supply in each research and development is still stable, the Company also actively seeks for secondary supplier of high quality raw materials supply, so as to ensure certain supply in the future.

(iv) Description on significant change of the gross profit margin of major product type

or department type in the last two years:
The Company was established in April 2002, it is still at the stage of new drug research and development currently, and there is no significant change of the gross profit margin of major product type or department type.

1. Name of supplier once accounting for over ten percent of total purchase amount in any year of the last two years and its purchase amount and proportion, and describe the reason for increase or decrease change:
   The Company was established in April 2002, it is still at the stage of new drug research and development currently, and there is no commodity purchase in 2015 and 2016.
2. Name of customer once accounting for over ten percent of total sales amount in any year of the last two years and its sales amount and proportion, and describe the reason for increase or decrease change:
   The Company was established in April 2002, it is still at the stage of new drug research and development currently, and there is no sales facts in 2015 and 2016.

(v) Production quantity in the last two years: not applicable.

(vi) Sales quantity in the last two years: not applicable.

iii. Number of employees in the last two years

The works of legal affairs, research and development, toxicology and drug quality control of the Company are mostly outsourced for execution at early stage, in Taiwan and US, the Company has appointed professional consultant for assistance; in recent years, the product research and development has become mature gradually, and the Company has successively recruited professional talents and elites in the industry to join, not only strengthening the team, but also making the company function more complete. As at April 2017, the distribution of human resources of the Company is as follows:

April 30, 2017

Year		2015	2016	As at April 30 in current year
Number of employees	Personnel of director level	8	10	10
	General personnel	22	23	25
	R&D and technical personnel	65	87	86
	Total	95	120	121
Average age		41.0	40.0	40.0
Average length of service		2.31	2.57	2.78
Degree distribution ratio (%)	Doctor degree	27.37	25.00	23.97
	Master degree	47.37	54.17	54.55
	College degree	25.26	20.83	21.48
	Senior high school degree	0	0	0
	Total	100	100	100

iv. Environmental protection expenditure information

(i) Pursuant to laws and decrees, if pollution facility setting license or pollutant discharge permit shall be applied for, or pollution prevention and control costs shall be paid, or environmental protection dedicated unit and personnel shall be set, description on the application, payment or setting circumstances thereof: not applicable.

(ii) Investment of the company regarding major equipment for preventing and controlling environmental pollution, and their use and benefits might be generated: NA.

(iii) In the last two years and as at the publication date of annual report, in the course of the company's improvement of environmental pollution, if there is any pollution dispute, the handling process thereof: NA.

(iv) Losses and penalty amount suffered due to polluting the environment in the last two years: NA.

(v) In the last two years and as at the publication date of annual report, the losses (including compensation) and total penalty amount suffered by the company due to polluting the environment, and the disclosure of future solutions (including improvement measures) and possible expenditure (including estimated amount of possible losses, penalty and compensation due to the failure of adopting solutions, if it cannot be estimated reasonably, the facts of cannot be estimated reasonably shall be described): NA.

(vi) The impact of current pollution status and its improvement on the company earnings, competitive status and capital expenditure, and the expected significant environmental protection capital expenditure in the coming two years: not applicable.

(vii) Working environment and employee personal safety protection measure:

1. Air conditioner: conduct regular maintenance to air conditioner to improve the efficiency of machinery equipment and reduce the failure rate.
2. Improvement of environmental waste reduction: implement garbage classification and set resources classification recycling bin, conduct classification for treatment and recycling according to resources categories.
3. Wastewater treatment: for the biotechnology floor of the company located at Nangang Software Park Phase II, the wastewater produced must be discharged to biotechnology wastewater treatment tank for treatment, and then transferred into general wastewater treatment tank for treatment before discharge, building management unit conducts water quality testing regularly every month, the testing results thereof are conforming to the government laws and decrees and have passed the test conducted by Sanitary Sewer Engineering Division, Works Bureau of Taipei City Government, and it will not produce pollution to the environment.

4. Preparation, maintenance and use of protective equipment: in each laboratory, personal safety protective equipment are provided according to the possible hazard conditions and types in the nature of operation, and professional or special protective equipment shall be kept and maintained by dedicated personnel.
5. Handling of mechanical equipment and instrument waste: if the mechanical equipment and analytical instruments in the laboratory cannot be used due to the expiry of service life, if the expiry of service life of such instruments have been confirmed, scrapping procedures can be gone through immediately.
6. Power utilization improvement: select and use fluorescent lighting fixtures of high power factor to improve power utilization efficiency and illuminating brightness, and employees form a good habit of turning off lights and the power when leaving, so as to save power utilization.
7. Noise improvement: select and use instrument and equipment of high efficiency and low noise to reduce the environmental noise. Set machine room to isolate the running noise of relevant equipment.
8. The Company implements regular inspection, repair and maintenance to each working equipment, so as to ensure work safety of employees. And holds labor safety and health education and disaster prevention training every year to let employees be familiar with and comply with relevant rules. Laboratories also set laboratory safety and health management organization members to implement the promotion of laboratory safety and health management of the company.

v. Labor-capital relationship

(i) Employee benefit measures, further education, training and retirement system of the company and the implementation condition thereof, agreement between labor and capital and maintenance measures of all kinds of employees' rights and interests:

1. Employee benefit measures:
   (1) Labor insurance: handle pursuant to labor insurance laws and decrees.
   (2) National health insurance: handle pursuant to provisions of National Health Insurance Act.
   (3) Group insurance: all employees can enjoy the life insurance, accident insurance, hospitalization medical insurance, tumor medical insurance etc. borne by the company in full amount.
   (4) Festival bonus / recreation: issue birthday gift, marriage or funeral

allowance, issue gifts etc. for three major festivals regularly and hold employee tourism regularly every year.

(5) Employee bonus: when surplus is available upon annual settlement, taxes shall be withheld and losses in previous years shall be covered first, and then draft the distribution proportion of employee bonus in current year, after passed by Board of Directors, propose it to Shareholders' Meeting for acknowledgment.

(6) Employee subscription right: in order to attract professionals to join the work team of the Company and retain excellent employees of development potential in the future, and further take care of employees and improve their living standard to jointly create benefits for company and shareholders, after approved by Board of Directors, the employee stock option certificate will be issued pursuant to "Employee Stock Options Issuance and Exercise Provisions".

2. Further education and training measures:

(1) New employee: on the date when employee reports for duty, relevant personnel of the company will be responsible for describing personnel regulations, company profile, working rules, environment introduction, and introduction of supervisors and colleagues.

(2) In-service employee further education measures: in order to implement lifelong learning, facilitate professional knowledge, skill and improve humanistic quality, and further improve service quality and performance, after report and being approved, all in-service full-time employees will be encouraged to participate in all kinds of in-service education and advanced study and training courses.

3. Retirement system:

The Company implements retirement system pursuant to the provisions of Labor Standards Act, regularly allocate the reserve for employee retirement to deposit in the special account in Central Trust of China, and appoints actuary for actuarial practice to ensure sufficient preparation of retirement pension reserve.

4. Agreement between labor and capital and maintenance measures of all kinds of employees' rights and interests:

Through mechanisms such as communication, incentive, service and education etc., the Company duly satisfies the demand of employees, allowing employees to established a good relationship with the company under a common goal and in the same boat, so as to improve employees' centripetal force to the company and work satisfaction, making them willing to spare more efforts to create greater contribution and value to the company, and the relationship between labor and capital is harmonious.

(ii) In the last two years and as at the date of annual report publication, the loss suffered by the company due to labor dispute, and disclosure of estimated amount occurred currently and likely to occur in the future and the solutions:

The Company always treats employees as the most valuable assets and attaches great importance to the future development of employees. Therefore, both labor and capital are always maintaining a harmonious relationship, and there is no loss caused by labor-capital dispute.

vi. Important contracts

Agreement	Contracting Parties	Term	Major contents	Restrictions
Assignment Agreement	Optimer Pharmaceuticals, Inc. Sloan-Kettering Institution for Center Research (hereinafter referred to as "SKI")	From May 7, 2009 for a period of twenty years, or until the expiration of patent, whichever is later.	SKI signed an agreement with Optimer on July 31, 2002 regarding the patent licensing of cancer active immune anti-cancer drug (including manufacturing, research and development and sales), for the rights and obligations of its global license agreement, they will be fully assigned from Optimer to OBI Pharma from May 7, 2009.	NA
Intellectual Property Assignment and License Agreement	Optimer Pharmaceuticals, Inc.	Effective from October 30, 2009	Optimer licenses the patent of OPT-88 and OPT-822/821 to OBI Pharma, and assigns its rights of the agreement signed with Scripps Research Institute and SKI to OBI Pharma.	NA
Supplementary Agreement	Optimer Pharmaceuticals, Inc.	From October 19, 2012 (effective date of supplementary contract) to July 30, 2022.	Optimer and OBI Pharma sign a supplemental agreement to the Intellectual Property Assignment and License Agreement signed on October 30, 2009, which Optimer confirms that OBI Pharma owns all rights and information related to the manufacturing and sales of OPT-822. OBI Pharma shall stop using relevant words of "Optimer" in the company name, email address and domain name.	NA
Exclusive License Contract	Optimer Pharmaceuticals, Inc.	From June 2011 until the expiration of patent right of the product or its composition in Taiwan, or for a period of ten years starting from the first sales date in Taiwan, whichever is later.	Optimer licenses OBI Pharma to research, develop and sell DIFICID™ in Taiwan.	NA
Exclusive License Contract	Academia Sinica	From July 2010 until terminated by OBI Pharma with 30 day prior written notice or terminated by Academia Sinica with 60 day prior written notice	License the patent for new cancer drugs research based on the Globo H and carbohydrate membrane array cancer detection technology owned by Academia Sinica to OBI Pharma, giving OBI Pharma the right of research and development and sales.	NA
Exclusive License Contract	Academia Sinica	From April 23, 2014 until the expiration of patent.	Academia Sinica exclusively licenses the patent and relevant rights of carbohydrate molecules synthesis technology to OBI Pharma.	NA
The Right of First Refusal Agreement	Optimer Pharmaceuticals, Inc.	From October 30, 2009 for a period of ten years	If OBI Pharma intends to license the OPT-822 patent or technologies of OBI Pharma to the third party in the regions other than Taiwan, China, Hong Kong, Indonesia, India, Thailand, Vietnam, Cambodia, Laos, Myanmar, Malaysia, Singapore, Brunei, Pakistan and Philippine, Optimer has the first right of refusal, but OBI Pharma still reserves the right to conclude an agreement with the party offering the best conditions for license.	NA

Agreement	Contracting Parties	Term	Major contents	Restrictions
Service Agreement	Jin Jia Co., Ltd.	From July 2010 until terminated by either party with 30 days advance notice in writing.	Clinical trial data processing and analysis.	NA
Service Agreement	INC Research, Inc	From September 2010 until the completion of research.	Assist to collect, summarize and analyze information on serious adverse reaction of clinical trial drugs.	NA
Service Agreement	CoreLab Partners, Inc	From September 2013 to September 2017	Assist to collect, determine and summarize radiation image data.	NA
Service Agreement	Fubon Insurance Co., Ltd.	From March 2014 to March 2018	Human clinical trial liability insurance.	NA
Service Agreement	Zuellig Pharma Specialty Solutions Group Pte Ltd.	From September 2010 until terminated by either party with 30 days prior written notice	Storage and transportation of clinical medication etc.	NA
Service Agreement	Total Trial Management Consulting Co., Ltd.	From August 1, 2016 to December 31, 2021	Assist the clinical trial hosting physician of hospital to execute the operation of non-clinical part in clinical trial.	NA
Service Agreement	CXN Clinical Research	From September 2011 to December 31, 2017	Execute OBI-822 phase II/III human clinical trial in the territory of the United States.	NA
Service Agreement	Choice Pharma (HK) Limited	From December 2013 to December 2018	Execute OBI-822 phase II/III human clinical trial in Taiwan, Hong Kong, Malaysia and Korea etc.	NA
Service Agreement	Advion BioServices, Inc.	From January 2012 until terminated by either party with 30 days prior written notice.	Examine all kinds of specimens of trial patients in the regions of the United States and output report.	NA
Collaborative Research Agreement	Chang Gung Memorial Hospital	From October 30, 2013 to September 30, 2017	Execute the program of "Determination of the expression of Globo H related antigen on breast cancer, and the biological activity of immune sera in patients undergoing OBI-822 treatment ".	NA
Collaborative Research Agreement	Linkou Chang Gung Memorial Hospital / Doctor Chen Lingjin	From June 1, 2014 to September 30, 2017	Execute a sub-study of a double-blind phase II -III trial active with Globo H-KLH(OPT 822) with metastatic breast cancer.	NA
Clinical Trial Agreement	Mackay Memorial Hospital	From November 13, 2013 till the completion of trial work	Use OPT-822/821 products to carry out clinical trial on ovarian cancer etc.	NA
Technology Purchase Agreement	Amaran Biotechnology, Inc.	March 2, 2012	OBI Pharma purchases Botox technology from Amaran at the price of NT$45 million, and OBI acquires all rights of such technology.	NA
Cooperative Development Agreement	Agnitio Science and Technology Inc.	From December 4, 2013 to December 4, 2017	Agnitio licenses technology platform to such company to be used for developing OBI-868 product.	NA
Assignment Agreement	Optimer Pharmaceuticals LLC	From May 2015 to May 2018	Assign the marketing right of Dificid in Taiwan to Merck Taiwan branch company	NA
Service Agreement	Amaran Biotechnology, Inc.	From August 13, 2015 to August 12, 2017	Manufacture OBI-821AS product for OBI Pharma.	NA

Agreement	Contracting Parties	Term	Major contents	Restrictions
Manufacturing Agreement	Amaran Biotechnology, Inc.	From January 25, 2016 to January 24, 2026	OBI Pharma purchases production equipment from Amaran Biotechnology, Inc., and places them in the plant of Amaran to be exclusively used for manufacturing OBI-821/822, Globo H and OBI-858 and the related products.	NA
Equipment Purchase Agreement	Amaran Biotechnology, Inc.	January 25, 2016	OBI Pharma purchases production equipment from Amaran Biotechnology, Inc., and places them in the plant of Amaran to be exclusively used for manufacturing products of OBI related to OBI-821/822, Globo H and OBI-858.	NA
Bulk Drug Manufacturing and Supply Agreement	Amaran Biotechnology, Inc.	From January 25, 2016 to January 24, 2026	Manufacture and supply of OBI-822 DS, OBI-821AS, Globo H, OBI-858 and other projects.	NA
Clinical Trial Agreement	Gabrail Cancer Center	February 23, 2016 till the end of trial	Carry out active immunotherapy to cure gastric cancer, lung cancer, colorectal cancer or breast cancer patients by means of gradually increase of the dosage of OBI-833/OBI-821, and the open-label trial assessing its safety and tolerance. It is the clinical trial of OBI833-001 in US.	NA
Clinical Trial Agreement	(1) Taipei Medical University Hospital (2) Taipei Shida Pharmaceutical Biotechnology Co., Ltd.	March 14, 2016 till the end of trial	Carry out active immunotherapy to cure gastric cancer, lung cancer, colorectal cancer or breast cancer patients by means of gradually increase of the dosage of OBI-833/OBI-821, and the open-label trial assessing its safety and tolerance. It is the clinical trial of OBI833-001 in Taiwan.	NA
Clinical Trial Agreement	Mary Crowley Medical Research Center	March 21, 2016 till the end of trial	Carry out active immunotherapy to cure gastric cancer, lung cancer, colorectal cancer or breast cancer patients by means of gradually increase of the dosage of OBI-833/OBI-821, and the open-label trial assessing its safety and tolerance. It is the clinical trial of OBI833-001 in US.	NA
Service Agreement	Mycenax Biotech Inc.	From October 7, 2016 to October 7, 2019	Commission Mycenax for packaging and filling the drugs for OBI-822 clinical trial.	NA
Antibody Service Agreement	Yuen Cheung Life Technology Co., Ltd.	From November 4, 2016 to November 3, 2018	Commission Yuen Cheung for manufacturing and development of antibody products.	NA

VI. Financial Overview

i. Concise financial information in the last five years

(i) Concise balance sheet and consolidated profit and loss statement

1. Individual concise balance sheet - International Financial Reporting Standards

Unit: NT$ thousand

Item \ Year		Financial information in the last five years					Financial information in current year as at March 31, 2017
		2012	2013	2014	2015	2016	
Current assets		779,816	1,285,544	913,453	2,314,025	3,846,379	5,083,585
Property, plant and equipment		11,916	33,224	44,430	74,317	226,251	222,524
Intangible assets		80,499	73,924	67,745	56,983	46,462	43,686
Other assets		1,943	577,660	460,717	4,871,791	2,221,468	565,092
Total assets		874,174	1,970,352	1,486,345	7,317,116	6,340,560	5,914,887
Current liabilities	Before distribution	44,402	41,150	42,484	133,124	109,940	54,218
	After distribution	44,402	41,150	42,484	133,124	109,940	54,218
Non-current liabilities		-	-	-	-	69,860	67,646
Total liabilities	Before distribution	44,402	41,150	42,484	133,124	179,800	121,864
	After distribution	44,402	41,150	42,484	133,124	179,800	121,864
Equity attributable to owners of parent		829,772	1,929,202	1,443,861	7,183,992	6,160,760	5,793,023
Share capital		1,382,520	1,489,959	1,499,936	1,707,200	1,716,119	1,720,133
Capital surplus		203,473	1,634,249	1,804,890	8,277,385	8,743,211	8,778,322
Retained earnings	Before distribution	(756,221)	(1,194,805)	(1,861,812)	(2,803,149)	(3,913,277)	(4,317,398)
	After distribution	(756,221)	(1,194,805)	(1,861,812)	(2,803,149)	(3,913,277)	(4,317,398)
Other equity interest		-	(201)	847	2,556	1,428	(1,313)
Treasury share		-	-	-	-	(386,721)	(386,721)
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	829,772	1,929,202	1,443,861	7,183,992	6,160,760	5,793,023
	After distribution	829,772	1,929,202	1,443,861	7,183,992	6,160,760	5,793,023

Notes: the above financial information have been audited and certified or checked and approved by the accountant.

2. Consolidated concise balance sheet - International Financial Reporting Standards

Unit: NT$ thousand

Item \ Year		Financial information in the last five years					Financial information in current year as at March 31, 2017
		2012	2013	2014	2015	2016	
Current assets		779,816	1,303,530	937,345	2,358,277	3,879,550	5,111,611
Property, plant and equipment		11,916	33,224	45,234	74,934	226,648	222,856
Intangible assets		80,499	73,924	67,745	56,983	46,462	43,686
Other assets		1,943	559,982	437,776	4,820,802	2,175,417	522,660
Total assets		874,174	1,970,660	1,488,100	7,310,996	6,328,077	5,900,813
Current liabilities	Before distribution	44,402	41,458	44,239	127,004	97,457	40,144
	After distribution	44,402	41,458	44,239	127,004	97,457	40,144
Non-current liabilities		-	-	-	-	69,860	67,646
Total liabilities	Before distribution	44,402	41,458	44,239	127,004	167,317	107,790
	After distribution	44,402	41,458	44,239	127,004	167,317	107,790
Equity attributable to owners of parent		829,772	1,929,202	1,443,861	7,183,992	6,160,760	5,793,023
Share capital		1,382,520	1,489,959	1,499,936	1,707,200	1,716,119	1,720,133
Capital surplus		203,473	1,634,249	1,804,890	8,277,385	8,743,211	8,778,322
Retained earnings	Before distribution	(756,221)	(1,194,805)	(1,861,812)	(2,083,149)	(3,913,277)	(4,317,398)
	After distribution	(756,221)	(1,194,805)	(1,861,812)	(2,083,149)	(3,913,277)	(4,317,398)
Other equity interest		-	(201)	847	2,556	1,428	(1,313)
Treasury share		-	-	-	-	(386,721)	(386,721)
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	829,772	1,929,202	1,443,861	7,183,992	6,160,760	5,793,023
	After distribution	829,772	1,929,202	1,443,861	7,183,992	6,160,760	5,793,023

Notes: the above financial information have been audited and certified or checked and approved by the accountant.

3. Individual concise profit and loss statement - International Financial Reporting Standards

Unit: NT$ thousand

Item \ Year	Financial information in the last five years					Financial information in current year as at March 31, 2017
	2012	2013	2014	2015	2016	
Net revenue	-	-	-	-	92,422	-
Gross profit	-	-	-	-	92,422	-
Income from operations (loss)	(284,102)	(455,936)	(677,392)	(1,060,288)	(1,110,256)	(206,835)
Non-operating income and expenses	28,827	17,352	10,385	118,951	128	(197,286)
Income before tax	(255,275)	(438,584)	(667,007)	(941,337)	(1,110,128)	(404,121)
Continuing operating unit Net profit for the year	(255,275)	(438,584)	(667,007)	(941,337)	(1,110,128)	(404,121)
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss) for the year	(255,275)	(438,584)	(667,007)	(941,337)	(1,110,128)	(404,121)
Other comprehensive profit and loss for the year (net of tax)	-	(201)	1,048	1,709	(1,128)	-
Total comprehensive profit and loss for the year	(255,275)	(438,785)	(665,959)	(939,628)	(1,111,256)	(404,121)
Net income attributable to shareholders of the parent	-	-	-	-	-	-
Net income attributable to non-controlling interests	-	-	-	-	-	-
Total comprehensive income (loss) attributable to shareholders of the parent	-	-	-	-	-	-
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	(1.95)	(3.11)	(4.46)	(5.66)	(6.51)	(2.37)

4. Consolidated concise profit and loss statement - International Financial Reporting Standards

Unit: NT$ thousand

Item \ Year	Financial information in the last five years					Financial information in current year as at March 31, 2017
	2012	2013	2014	2015	2016	
Net revenue	-	-	-	-	92,422	-
Gross profit	-	-	-	-	92,422	-
Income from operations (loss)	(284,102)	(467,650)	(712,325)	(1,063,218)	(1,112,470)	(207,156)
Non-operating income and expenses	28,827	29,066	45,318	123,405	4,846	(196,359)
Income before tax	(255,275)	(438,584)	(667,007)	(939,813)	(1,107,624)	(403,515)
Continuing operating unit Net profit for the year	(255,275)	(438,584)	(667,007)	(941,337)	(1,110,128)	(404,121)
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss) for the year	(255,275)	(438,584)	(667,007)	(941,337)	(1,110,128)	(404,121)
Other comprehensive profit and loss for the year (net of tax)	-	(201)	1,048	1,709	(1,128)	(2,741)
Total comprehensive profit and loss for the year	(255,275)	(438,785)	(665,959)	(939,628)	(1,111,256)	(406,862)
Net income attributable to shareholders of the parent	(255,275)	(438,584)	(667,007)	(941,337)	(1,110,128)	(404,121)
Net income attributable to non-controlling interests	-	-	-	-	-	-
Total comprehensive income (loss) attributable to shareholders of the parent	(255,275)	(438,785)	(665,959)	(939,628)	(1,111,256)	(406,862)
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	(1.95)	(3.11)	(4.46)	(5.66)	(6.51)	(2.37)

Notes: the above financial information have been audited and certified or checked and approved by the accountant.

(ii) Concise balance sheet and profit and loss statement - financial accounting standards of our country

1. Individual concise balance sheet - financial accounting standards of our country:

Unit: NT$ thousand

Item / Year		Financial information in the last five years (Notes)				
		2012	2013	2014	2015	2016
Current assets		779,816	Not applicable	Not applicable	Not applicable	Not applicable
Fund and investment		-				
Fixed assets		12,523				
Intangible assets		80,499				
Other assets		1,336				
Total assets		874,174				
Current liabilities	Before distribution	44,402				
	After distribution	44,402				
Long-term liabilities		-				
Other liabilities		-				
Total liabilities	Before distribution	44,402				
	After distribution	44,402				
Share capital		1,382,520				
Capital surplus		203,473				
Retained earnings	Before distribution	(756,221)				
	After distribution	(756,221)				
Unrealized gain/loss on financial instruments		-				
Cumulative translation adjustment		-				
Net loss not recognized as pension cost		-				
Total equity	Before distribution	829,772				
	After distribution	829,772				
Total liabilities and equity		874,174				

Notes: Financial information of 2012 have been audited and certified by the accountant, since 2013, International Financial Reporting Standards is adopted.

2. Consolidated balance sheet - financial accounting standards of our country:

Unit: NT$ thousand

Item / Year		Financial information in the last five years (Notes)				
		2012	2013	2014	2015	2016
Current assets		779,816	Not applicable	Not applicable	Not applicable	Not applicable
Fund and investment		-				
Fixed assets		12,523				
Intangible assets		80,499				
Other assets		1,336				
Total assets		874,174				
Current liabilities	Before distribution	44,402				
	After distribution	44,402				
Long-term liabilities		-				
Other liabilities		-				
Total liabilities	Before distribution	44,402				
	After distribution	44,402				
Share capital		1,382,520				
Capital surplus		203,473				
Retained earnings	Before distribution	(756,221)				
	After distribution	(756,221)				
Unrealized gain/loss on financial instruments		-				
Cumulative translation adjustment		-				
Net loss not recognized as pension cost		-				
Total equity	Before distribution	829,772				
	After distribution	829,772				
Total liabilities and equity		874,174				

Notes: Financial information of 2012 have been audited and certified by the accountant, since 2013, International Financial Reporting Standards is adopted.

3. Individual concise profit and loss statement - financial accounting standards of our country:

Unit: NT$ thousand

Item / Year	Financial information in the last five years (Notes)				
	2012	2013	2014	2015	2016
Net revenue	-	Not applicable	Not applicable	Not applicable	Not applicable
Gross profit	-				
Income from operations (loss)	(284,102)				
Non-operating revenue and gain	30,293				
Non-operating expenses and loss	(1,466)				
Continuing operating unit Pretax profit and loss	(255,275)				
Continuing operating unit Profit and loss	(255,275)				
Profit and loss of discontinued department	-				
Extraordinary profit or loss	-				
Cumulative effects of accounting principle changes	-				
Current profit and loss	(255,275)				
Earnings per share retroactive adjustment	(1.95)				

Notes: Financial information of 2012 have been audited and certified by the accountant, since 2013, International Financial Reporting Standards is adopted.

4. Consolidated concise profit and loss statement - financial accounting standards of our country:

Unit: NT$ thousand

Item / Year	Financial information in the last five years (Notes)				
	2012	2013	2014	2015	2016
Net revenue	-	Not applicable	Not applicable	Not applicable	Not applicable
Gross profit	-				
Income from operations (loss)	(284,102)				
Non-operating revenue and gain	30,293				
Non-operating expenses and loss	(1,466)				
Continuing operating unit Pretax profit and loss	(255,275)				
Continuing operating unit Profit and loss	(255,275)				
Profit and loss of discontinued department	-				
Extraordinary profit or loss	-				
Cumulative effects of accounting principle changes	-				
Current profit and loss	(255,275)				
Earnings per share retroactive adjustment	(1.95)				

Notes: Financial information of 2012 have been audited and certified by the accountant, since 2013, International Financial Reporting Standards is adopted.

(iii) Name and audit opinion of certified public accountants in the last five years:

Year	Accounting firm	Name of accountant	Audit opinion	Reason for change
2012	PwC Taiwan	Audrey Tseng Zhang Minghui	Modified style clean opinion	Change the accounting firm due to the consideration of business development and management demand
2013	PwC Taiwan	Audrey Tseng Zhang Minghui	Clean opinion	NA
2014	PwC Taiwan	Audrey Tseng Zhang Minghui	Clean opinion	NA
2015	PwC Taiwan	Audrey Tseng Zhang Minghui	Clean opinion	NA
2016	PwC Taiwan	Audrey Tseng Zhang Minghui	Clean opinion	NA

ii. Financial analysis in the last five years

(i) Individual important financial ratio analysis in the last five years - International Financial Reporting Standards

Analysis item \ Year		Financial analysis in the last five years (Notes 1)					As at March 31, 2017 in the current year
		2012	2013	2014	2015	2016	
Financial structure (%)	Proportion of liabilities in assets	5.08	2.09	2.86	1.82	2.84	2.06
	Proportion of long-term funds in property, plant and equipment	6,963.51	5,806.65	3,249.74	9,666.69	2,753.85	2,633.85
Debt paying ability (%)	Current ratio	1,756.26	3,124.04	2,150.11	1,738.25	3,498.62	9,376.19
	Liquidity ratio	1,656.08	3,075.96	2,063.81	1,706.95	3,440.61	9,269.78
	Interest coverage ratio (ratio)	-	-	-	-	(5,210.87)	-
Operating capacity	Receivables turnover rate (time)	-	-	-	-	-	-
	Average cash collection days	-	-	-	-	-	-
	Inventory turnover rate (time)	-	-	-	-	-	-
	Payables turnover rate (time)	-	-	-	-	-	-
	Average sales days	-	-	-	-	-	-
	Property, plant and equipment turnover rate (time)	-	-	-	-	-	-
	Total assets turnover rate (time)	-	-	-	-	-	-
Profitability	Return on assets (%)	(36.55)	(30.84)	(38.59)	(21.39)	(16.25)	(6.59)
	Return on equity (%)	(38.15)	(31.79)	(39.55)	(21.82)	(16.64)	(6.76)
	Proportion of net profit before tax in paid-up capital (%)	(18.46)	(29.44)	(44.47)	(55.14)	(64.69)	(23.49)
	Net profit ratio (%)	-	-	-	-	(1,201.15)	-
	Earnings per share (NT$)	(1.95)	(3.11)	(4.46)	(5.66)	(6.51)	(2.37)
Cash flow (Notes 2)	Cash flow ratio (%)	-	-	-	-	-	-
	Cash flow adequacy ratio (%)	-	-	-	-	-	-
	Cash reinvestment ratio (%)	-	-	-	-	-	-
Degree of leverage (Notes 3)	Degree of operating leverage	-	-	-	-	-	-
	Degree of financial leverage	-	-	-	-	-	-

Description on the reasons for change of all kinds of financial ratios in the last two years:

1. Financial structure: the main reason for the increase of proportion of liabilities in assets is caused by the increase of operating expenditure and treasury share execution; the main reason for the decrease of Proportion of long-term funds in property, plant and equipment is caused by the purchase of the laboratory on 14F in Nangang Software Park and the R&D equipment.
2. Debt paying ability: the increase of current ratio and liquidity ratio is mainly due to the increase of fixed term deposit with maturity date less than one year.
3. Operating capacity: since the company is still at the stage of new drug research and development currently, and there is no operating revenue and relevant inventory yet.
4. Profitability: the product line of the Company is still at the stage of active research and development, and there is no profit yet.

Notes 1: Notes: International Financial Reporting Standards are only adopted since 2013, and the above financial information have been audited and certified or checked and approved by the accountant.

Notes 2: The cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio are negative, hence relevant cash flow proportions are not calculated.

Notes 3: Since the company is still at the stage of research and development, hence it is still under net operating loss, and the degree of leverage is not calculated because it is negative.

(ii) Consolidated important financial ratio analysis in the last five years - International Financial Reporting Standards

Analysis item \ Year		Financial analysis in the last five years (Notes 1)					As at March 31, 2017 in the current year
		2012	2013	2014	2015	2016	
Financial structure (%)	Proportion of liabilities in assets	5.08	2.10	2.97	1.74	2.64	1.83
	Proportion of long-term funds in property, plant and equipment	6,963.51	5,806.65	3,191.98	9,587.09	2,749.03	2629.80
Debt paying ability (%)	Current ratio	1,756.26	3,144.22	2,118.82	1,856.85	3,980.78	12,733.19
	Liquidity ratio	1,656.08	3,096.00	2,035.23	1,823.31	3,914.01	12,583.29
	Interest coverage ratio (ratio)	-	-	-	-	(5,199.11)	-
Operating capacity	Receivables turnover rate (time)	-	-	-	-	-	-
	Average cash collection days	-	-	-	-	-	-
	Inventory turnover rate (time)	-	-	-	-	-	-
	Payables turnover rate (time)	-	-	-	-	-	-
	Average sales days	-	-	-	-	-	-
	Property, plant and equipment turnover rate (time)	-	-	-	-	-	-
	Total assets turnover rate (time)	-	-	-	-	-	-
Profitability	Return on assets (%)	(36.55)	(30.83)	(38.57)	(21.40)	(16.28)	(6.61)
	Return on equity (%)	(38.15)	(31.79)	(39.55)	(21.82)	(16.64)	(6.76)
	Proportion of net profit before tax in paid-up capital (%)	(18.46)	(29.44)	(44.47)	(55.05)	(64.54)	(23.46)
	Net profit ratio (%)	-	-	-	-	(1,201.15)	-
	Earnings per share (NT$) retroactive adjustment	(1.95)	(3.11)	(4.46)	(5.66)	(6.51)	(2.37)
Cash flow (Notes 2)	Cash flow ratio (%)	-	-	-	-	-	-
	Cash flow adequacy ratio (%)	-	-	-	-	-	-
	Cash reinvestment ratio (%)	-	-	-	-	-	-
Degree of leverage (Notes 3)	Degree of operating leverage	-	-	-	-	-	-
	Degree of financial leverage	-	-	-	-	-	-

Description on the reasons for change of all kinds of financial ratios in the last two years:

1. Financial structure: the main reason for the increase of proportion of liabilities in assets is caused by the increase of operating expenditure and treasury share execution; the main reason for the decrease of Proportion of long-term funds in property, plant and equipment is caused by the purchase of the laboratory on 14F in Nangang Software Park and the R&D equipment.
2. Debt paying ability: the increase of current ratio and liquidity ratio is mainly due to the increase of fixed term deposit with maturity date less than one year.
3. Operating capacity: since the company is still at the stage of new drug research and development currently, and there is no operating revenue and relevant inventory yet.
4. Profitability: the product line of the Company is still at the stage of active research and development, and there is no profit yet.

Notes 1: Notes: International Financial Reporting Standards are only adopted since 2013, and the above financial information have been audited and certified or checked and approved by the accountant.

Notes 2: The cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio are negative, hence relevant cash flow proportions are not calculated.

Notes 3: Since the company is still at the stage of research and development, hence it is still under net operating loss, and the degree of leverage is not calculated because it is negative.

Calculation formulas of the above financial analysis data are as follows:

1. Financial structure
   (1) Proportion of liabilities in assets=total liabilities/total assets.
   (2) Proportion of long-term funds in property, plant and equipment=(total equity+non-current liabilities)/net amount of property, plant and equipment.
2. Debt paying ability
   (1) Current ratio=current assets/current liabilities
   (2) Liquidity ratio=(current assets-inventory-prepaid costs)/current liabilities
   (3) Interest coverage ratio=income tax and net profit before interest expense/current interest expenditure.
3. Operating capacity
   (1) Receivables (including accounts receivable and notes receivable arising from business) turnover rate=net sales/balance of average receivables in each period (including accounts receivable and notes receivable arising from business).
   (2) Average cash collection days=365/receivables turnover rate.
   (3) Inventory turnover rate=sales cost/average inventory.
   (4) Payables (including accounts payable and notes payable arising from business) turnover rate=net sales/balance of average payables in each period (including accounts payable and notes payable arising from business).
   (5) Average sales days=365/inventory turnover rate.
   (6) Property, plant and equipment turnover rate=net sales/average net amount of property, plant and equipment.
   (7) Total assets turnover rate=net sales/average total assets amount.
4. Profitability
   (1) Return on assets=[post-tax profit or loss+interest expense x (1-tax rate)]/average total assets amount.
   (2) Return on equity=post-tax profit or loss/average total equity amount.
   (3) Net profit ratio=post-tax profit or loss/net sales.
   (4) Earnings per share=(profit and loss attributable to parent company owner-special share dividend)/weighted average number of outstanding shares.
5. Cash flow
   (1) Cash flow ratio=net cash flow in operating activity/current liabilities.
   (2) Cash flow adequacy ratio=net cash flow in operating activities in the last five years/(capital expenditure+inventory increment+cash dividend) in the last five years.
   (3) Cash reinvestment ratio=(net cash flow in operating activity-cash dividend)/(gross amount of property, plant and equipment+long-term investment+other non-current assets+working capital).
6. Degree of leverage
   (1) Degree of operating leverage=(net operating income-changes in operating costs and expenses)/operating profit.
   (2) Degree of financial leverage=operating profit/(operating profit-interest expense).

(iii) Individual important financial ratio analysis in the last five years - financial accounting standards of our country

Analysis item \ Year			Financial analysis in the last five years (Notes 1)				
			2012	2013	2014	2015	2016
Financial structure (%)	Proportion of liabilities in assets		5.08	Not applicable	Not applicable	Not applicable	Not applicable
	Ratio of long-term funds in fixed assets		6,625.98				
Debt paying ability (%)	Current ratio		1,756.26				
	Liquidity ratio		1,656.08				
	Interest coverage ratio (ratio)		-				
Operating capacity	Receivables turnover rate (time)		-				
	Average cash collection days		-				
	Inventory turnover rate (time)		-				
	Payables turnover rate (time)		-				
	Average sales days		-				
	Fixed assets turnover rate (time)		-				
	Total assets turnover rate (time)		-				
Profitability	Return on assets (%)		(36.55)				
	Return on equity (%)		(38.15)				
	Proportion of net profit before tax in paid-up capital (%)	Income from operations	(20.55)				
		Net profit before tax	(18.46)				
	Net profit ratio (%)		-				
	Earnings per share (NT$)		(1.95)				
Cash flow (Notes 2)	Cash flow ratio (%)		-				
	Cash flow adequacy ratio (%)		-				
	Cash reinvestment ratio (%)		-				
Degree of leverage (Notes 3)	Degree of operating leverage		-				
	Degree of financial leverage		-				
Description on the reasons for change of all kinds of financial ratios in the last two years: not applicable.							

Notes 1: International Financial Reporting Standards are only adopted since 2013, and the 2012 financial information have been audited and certified by the accountant.

Notes 2: The cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio are negative, hence relevant cash flow proportions are not calculated.

Calculation formulas of the above financial analysis data are as follows:

1. Financial structure
   (1) Proportion of liabilities in assets=total liabilities/total assets.
   (2) Ratio of long-term funds in fixed assets=(net shareholders' equity+long-term liabilities)/net fixed assets.
2. Debt paying ability
   (1) Current ratio=current assets/current liabilities
   (2) Liquidity ratio=(current assets-inventory-prepaid costs)/current liabilities
   (3) Interest coverage ratio=income tax and net profit before interest expense/current interest expenditure.
3. Operating capacity
   (1) Receivables (including accounts receivable and notes receivable arising from business) turnover rate=net sales/balance of average receivables in each period (including accounts receivable and notes receivable arising from business).
   (2) Average cash collection days=365/receivables turnover rate.
   (3) Inventory turnover rate=sales cost/average inventory.
   (4) Payables (including accounts payable and notes payable arising from business) turnover rate=net sales/balance of average payables in each period (including accounts payable and notes payable arising from business).
   (5) Average sales days=365/inventory turnover rate.
   (6) Fixed assets turnover rate=net sales/net fixed assets.
   (7) Total assets turnover rate=net sales/total assets amount.
4. Profitability
   (1) Return on assets=[post-tax profit or loss+interest expense x (1-tax rate)]/average total assets amount.
   (2) Return on equity=post-tax profit or loss/average net shareholders' equity.
   (3) Net profit ratio=post-tax profit or loss/net sales.
   (4) Earnings per share=(net profit after tax-special share dividend)/weighted average number of outstanding shares.
5. Cash flow
   (1) Cash flow ratio=net cash flow in operating activity/current liabilities.
   (2) Cash flow adequacy ratio=net cash flow in operating activities in the last five years/(capital expenditure+inventory increment+cash dividend) in the last five years.
   (3) Cash reinvestment ratio=(net cash flow in operating activity-cash dividend)/(gross amount of fixed assets+long-term investment+other assets+working capital).
6. Degree of leverage
   (1) Degree of operating leverage=(net operating income-changes in operating costs and expenses)/operating profit.
   (2) Degree of financial leverage=operating profit/(operating profit-interest expense).

(iv) Consolidated important financial ratio analysis in the last five years - financial accounting standards of our country:

Analysis item \ Year			Financial analysis in the last five years (Notes 1)				
			2012	2013	2014	2015	2016
Financial structure (%)	Proportion of liabilities in assets		5.08	Not applicable	Not applicable	Not applicable	Not applicable
	Ratio of long-term funds in fixed assets		6,625.98				
Debt paying ability (%)	Current ratio		1,756.26				
	Liquidity ratio		1,656.08				
	Interest coverage ratio (ratio)		-				
Operating capacity	Receivables turnover rate (time)		-				
	Average cash collection days		-				
	Inventory turnover rate (time)		-				
	Payables turnover rate (time)		-				
	Average sales days		-				
	Fixed assets turnover rate (time)		-				
	Total assets turnover rate (time)		-				
Profitability	Return on assets (%)		(36.55)				
	Return on equity (%)		(38.15)				
	Proportion of net profit before tax in paid-up capital (%)	Income from operations	(20.55)				
		Net profit before tax	(18.46)				
	Net profit ratio (%)		-				
	Earnings per share (NT$)		(1.95)				
Cash flow (Notes 2)	Cash flow ratio (%)		-				
	Cash flow adequacy ratio (%)		-				
	Cash reinvestment ratio (%)		-				
Degree of leverage (Notes 3)	Degree of operating leverage		-				
	Degree of financial leverage		-				
Description on the reasons for change of all kinds of financial ratios in the last two years: not applicable.							

Notes 1: International Financial Reporting Standards are only adopted since 2013, and the 2012 financial information have been audited and certified by the accountant.

Notes 2: The cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio are negative, hence relevant cash flow proportions are not calculated.

Calculation formulas of the above financial analysis data are as follows:

1. Financial structure
   (1) Proportion of liabilities in assets=total liabilities/total assets.
   (2) Ratio of long-term funds in fixed assets=(net shareholders' equity+long-term liabilities)/net fixed assets.
2. Debt paying ability
   (1) Current ratio=current assets/current liabilities
   (2) Liquidity ratio=(current assets-inventory-prepaid costs)/current liabilities
   (3) Interest coverage ratio=income tax and net profit before interest expense/current interest expenditure.
3. Operating capacity
   (1) Receivables (including accounts receivable and notes receivable arising from business) turnover rate=net sales/balance of average receivables in each period (including accounts receivable and notes receivable arising from business).
   (2) Average cash collection days=365/receivables turnover rate.
   (3) Inventory turnover rate=sales cost/average inventory.
   (4) Payables (including accounts payable and notes payable arising from business) turnover rate=net sales/balance of average payables in each period (including accounts payable and notes payable arising from business).
   (5) Average sales days=365/inventory turnover rate.
   (6) Fixed assets turnover rate=net sales/net fixed assets.
   (7) Total assets turnover rate=net sales/total assets amount.
4. Profitability
   (1) Return on assets=[post-tax profit or loss+interest expense x (1-tax rate)]/average total assets amount.
   (2) Return on equity=post-tax profit or loss/average net shareholders' equity.
   (3) Net profit ratio=post-tax profit or loss/net sales.
   (4) Earnings per share=(net profit after tax-special share dividend)/weighted average number of outstanding shares.
5. Cash flow
   (1) Cash flow ratio=net cash flow in operating activity/current liabilities.
   (2) Cash flow adequacy ratio=net cash flow in operating activities in the last five years/(capital expenditure+inventory increment+cash dividend) in the last five years.
   (3) Cash reinvestment ratio=(net cash flow in operating activity-cash dividend)/(gross amount of fixed assets+long-term investment+other assets+working capital).
6. Degree of leverage
   (1) Degree of operating leverage=(net operating income-changes in operating costs and expenses)/operating profit.
   (2) Degree of financial leverage=operating profit/(operating profit-interest expense).

iii. Supervisor of the financial report in the last year or Audit Committee's Review Report
The Company had established the Audit Committee with three independent directors on November 27, 2013, and the original supervisor was dismissed on that day. Hence it is attached the 2016 Audit Committee's Review Report as follows:

Audit Committee's Review Report

The proposals on 2016 Business Report, consolidated and individual financial statements and Deficit Compensation Table etc. of the Company have been prepared and submitted by Board of Directors of the Company, among them, the consolidated and individual financial statements have been audited by accountant Zeng Huijin and Zhang Minghui from PwC Taiwan and audit report has been issued. Proposals regarding the above Business Report, combined and individual financial statements and Deficit Compensation Table have been reviewed by Audit Committee, and those proposals are appropriate, it is hereby proposed for supervision pursuant to Article 14 of Securities Exchange Act and Article 219 of Company Act.

Sincerely submitted to
2017 General Meeting of the Company

OBI Pharma, Inc.

Convener of Audit Committee: Jerry Fong

Member of Audit Committee: Tony Chang

Member of Audit Committee: Wang Taichang

March 9, 2017

iv. Financial statements and accountant's audit report in the last year: please see page **185 to page 238** of this annual report for details.

v. In the last year and as at the publication date of annual report, if the Company and affiliated enterprise have difficulty in financial turnover, its impact on the financial situation of the Company shall be listed: NA.

VII.Financial situation and financial performance review analysis and risks

i. Financial situation

In the last two years, the main reasons for significant changes of assets, liabilities and shareholders' equity and its impact, in case of significant impact, the future solutions shall be described:

Unit: NT$ thousand

Item \ Year	2015	2016	Balance	
			Amount	Percentage (%)
Current assets	2,358,277	3,879,550	1,521,273	64.51
Financial assets available for sales - non-current	22,500	27,181	4,681	20.80
Investment in debt instruments without active markets - non-current	4,762,163	2,111,569	(2,650,594)	(55.66)
Property, plant and equipment	74,934	226,648	151,714	202.46
Intangible assets	56,983	46,462	(10,521)	(18.46)
Other non-current assets	36,139	36,667	528	1.46
Total assets	7,310,996	6,328,077	(982,919)	(13.44)
Current liabilities	127,004	97,457	(29,547)	(23.26)
Non-current liabilities	-	69,860	69,860	100.00
Total liabilities	127,004	167,317	40,313	31.74
Share capital	1,707,200	1,716,119	8,919	0.52
Capital surplus	8,277,385	8,743,211	465,826	5.63
Accumulated deficit	(2,803,149)	(3,913,277)	(1,110,128)	39.6
Other equity interest	2,556	1,428	(1,128)	(44.13)
Treasury share	-	(386,721)	(386,721)	100.00
Total equity	7,183,992	6,160,760	(1,023,232)	(14.24)

If the changes in adjacent periods reach to over twenty percent and the changed amounts reach to over NT$10 million, descriptions on the main reasons and its impact analysis are as follows:

1. The increase of current assets is mainly due to the increase of fixed term deposit with maturity date less than one year.
2. The decrease of investment in debt instruments without active markets - non-current is mainly because the fixed term deposit with maturity date less than one year is classified into current assets.
3. The increase of property, plant and equipment is mainly due to the purchase of the laboratory on 14F in Nangang Software Park and the R&D equipment.
4. The decrease of current liabilities is mainly due to the Dificid signing bonus received in

advance recognized in 2015, and then recognized as income in 2016.

5. The increase of non-current liabilities is due to the borrowing from bank for the purchase of laboratory on 14F in Nangang Software Park.
6. The increase of accumulated loss is because the company is still at the stage of research and development and has no sales income, hence the company is still under loss status in 2016.
7. The increase of treasury share is due to the buyback of 862,000 company shares in the first quarter of 2016.

ii. Financial performance

Main reasons for significant changes in operating income, operating net profit and net profit before tax in the last two years, and expected sales quantity and its basis, and possible impact on future financial affairs of the company and solutions:

Unit: NT$ thousand

Item \ Year	2015	2016	Balance	
			Amount	Percentage (%)
Net revenue	-	92,422	92,422	100.00
Operating costs	-	-	-	-
Gross profit	-	92,422	92,422	100.00
Operating expenses	(1,063,218)	(1,204,892)	(141,674)	13.33
Operating loss	(1,063,218)	(1,112,470)	(49,252)	4.63
Non-operating income and expenses	123,405	4,846	(118,559)	(96.07)
Net loss	(941,337)	(1,110,128)	(168,791)	17.93
Total comprehensive loss for the year	(939,628)	(1,111,256)	(171,628)	18.27

Description:

1. The increase of operating income is mainly due to the income from Dificid signing bonus.
2. The increase of operating expenses is mainly due to the increase of operating expenditure and service fee for outsourcing manufacturing of OBI-822/888.
3. The decrease of non-operating income and expenses is mainly due to the depreciation of USD and RMB, and the loss from bank deposit interest and valuation of foreign currency deposit.
4. Currently the product of the Company is still at the stage of development, and it is expected that there will be no significant sales quantity in the coming year; but after completing the analysis on all kinds of product clinical trial data, the Company will apply for investigational new drug registration as soon as possible, aiming at early launch of product; at that time, the Company has planned to voluntarily establish marketing network in Greater China region and USA, but without excluding joint marketing with major international pharmaceutical companies, so as to exert the maximum effect. In the regions such as Europe, Japan and Korea etc. other than Greater China region and USA, the Company will

Item \ Year	2015	2016	Balance	
			Amount	Percentage (%)
seek for the license of major international pharmaceutical companies, hoping to guarantee the revenue of the Company and bring stable working capital, and carry out the next stage of cancer drug research and development plan.				

iii. Cash flow

(i) Analytical statement of cash flow changes in the last year:

Unit: NT$ thousand

Item \ Year	2015	2016	Balance	
			Amount	Percentage (%)
Cash flows from operating activities (outflow)	(372,204)	(840,096)	(467,892)	125.71
Cash flows from investing activities (outflow)	(4,433,148)	95,602	4,528,750	(102.16)
Cash flows from financing activities (outflow)	6,207,264	(140,928)	(6,348,192)	(102.27)
Description: 1. The increase of cash outflow from operating activities is mainly due to the increase of operating expenditure and service fee for outsourcing manufacturing of OBI-822/888. 2. The decrease of cash outflow from investing activities is mainly caused by transferring the fixed term deposit with maturity date more than one year into the investment in debt instruments without active market. 3. The decrease of cash outflow from financing activities is mainly caused by the cash capital increase of NT$6.2 billion in 2015.				

(ii) Improvement plan for liquidity shortage: not applicable.

(iii) Cash liquidity analysis in the coming year:

Unit: NT$thousand

Opening cash balance (1)	Expected annual net cash flow from operating activity (2)	Expected annual net cash flow from other activity (3)	Number of residual (insufficient) cash (1)+(2)+(3)	Remedial measure for cash shortage	
				Investment plan	Financial plan
1,414,078	(1,400,000)	2,407,093	2,421,171	-	-
Analysis description: 1. Analysis on cash flow changes in the coming year: Operating activity: in 2017, the Company is still at the stage of new drug research and development, hence it is under net operating cash outflow. Other activity: the cash inflows of other activity in 2017 are mainly the cash inflow from the disposal of					

Opening cash balance (1)	Expected annual net cash flow from operating activity (2)	Expected annual net cash flow from other activity (3)	Number of residual (insufficient) cash (1)+(2)+(3)	Remedial measure for cash shortage	
				Investment plan	Financial plan
investment in debt instruments without active market and the stock capital of employee's subscription right. 2. Expected remedial measure for cash shortage and liquidity analysis: not applicable.					

iv. The impact of significant capital expenditure on financial affairs in the last year: NA.

v. Reinvestment policy in the last year, main reason for its profit or loss, improvement plan and investment plan in the coming year:
In order to smoothly carry out the clinical trial in China Mainland and USA, in November, 2012, March and April 2013, the Company had completed the registration of establishment of Hong Kong OBI Pharma Limited, OBI Pharma (Shanghai) Limited (reinvestment of OBI Pharma Limited) and OBI PHARMA USA, INC. respectively, up to now, it is still under accumulated loss status, in the future, with completion of each product clinical trial and smooth launch of product, it will bring revenue and profit to each reinvestment enterprise.

vi. Risk analysis and assessment
(i) In the last year and as at the publication date of annual report, the impact of interest rate, fluctuation in exchange rate, and inflation on company profit and loss and future solutions:
1. The impact of interest rate, fluctuation in exchange rate, and inflation in the last year on company profit and loss:
(1) Interest rate change:
The Company has no financing through loaning, hence the impact of interest rate on liabilities is slight; despite the interest income is declining due to interest rate, but its impact on the Company is not significant.
(2) Fluctuation in exchange rate:
In the operating activities of the Company, those priced in foreign currency and might be impacted by the exchange rate in the future include:
A. Technology licensing fee and royalty paid overseas due to acquiring technology licensing overseas.

B. Technology licensing fee and royalty collected overseas due to licensing technology overseas.
C. Relevant costs needed to be paid due to carrying out clinical trial overseas.

(3) Inflation:
In March 2017, the Consumer Price Index (CPI) is 104.66, dropped by 0.37% comparing with the last month, and increased by 0.18% year-on-year; the Wholesale Price Index is 85.99, dropped by 0.67% comparing with the last month, and dropped by 1.84% year-on-year. In the future, the Company will pay close attention to the impact of inflation on all kinds of costs.

2. Future solutions of the Company in respond to the fluctuation in exchange rate and interest rate change:
(1) Pay attention to the trend and change of each major currency in international foreign exchange market at any time, so as to master the trend of exchange rate and respond promptly, in consideration of the risk generated from fluctuation in exchange rate, adjust the foreign currency position in due time to safeguard the due profits.
(2) The Company adopts natural hedging to control and reduce foreign currency position as far as possible.
(3) Open foreign currency deposit account in the correspondent bank, keep certain part of foreign currency position in respond to the demand of foreign exchange fund.
(4) Keep a good interactive relationship with the bank, strive for more extensive foreign exchange and interest rate information, and more favorable quotation.
(5) Pay attention to the trend of interest rate at any time, utilize all kinds of financing tools in capital market in due time to reduce the cost of capital acquisition.

3. The impact of inflation on company profit and loss in the last year and future solutions:
The Company pays attention to market price fluctuation at any time, and keeps a good interaction with suppliers and customers, in recent years, there is no significant impact caused by inflation, and there is no inflation risk within a short term, hence it has no significant impact on the annual profit and loss of the Company.

(ii) Policy on engaging in high risk highly leveraged investment, granting of loans, endorsement and derivative securities transaction, main reason for profit or loss, and future solutions:

In 2016 and as at the publication date of annual report in 2017, the Company has not engaged in high risk highly leveraged investment, granting of loans, derivative securities transaction and endorsement. The Company has formulated the "Regulations Governing the Acquisition and Disposal of Assets", "Procedures of Making Endorsement and Guarantees" and "Procedures of Granting of Loans" and have been passed in the resolution of Shareholders' Meeting, in the future, if engaging in relevant business, the Company will handle according to relevant procedures and immediately and accurately announce all kinds of information pursuant to laws and decrees.

(iii) Future research and development plan and expected invested research and development costs:

1. Research and development plans under development by the Company currently:

(1) **Adagloxad Simolenin (formerly OBI-822/821)**

An active immuno-oncology therapy based on the Globo H antigen, Adagloxad Simolenin's clinical trial for breast cancer was conducted in 45 medical centers worldwide. The trial exceeded its patient recruiting target of 342 subjects (349 subjects recruited in total) in July 2014, and topline data was unblinded in February 2016. Despite not meeting its primary efficacy endpoint of Progression Free Survival (PFS), the trial demonstrated to a significant degree that subjects who generated enough Globo H antibodies benefited from an extended period of PFS. These results were presented at the annual meeting of the American Society of Clinical Oncology (ASCO) in June 2016. The Company had its End of Phase 2 (EOP2) Meeting with the US Food and Drug Administration (FDA) in January 2017, and received a written reply from the European Medicines Agency (EMA) regarding questions related to the Company's design of its global Phase III clinical trial for Adagloxad Simolenin. The Company will amend its global Phase III clinical trial accordingly.

(2) **OBI-833/821**

A 2nd generation active immuno-oncology therapy based on the Globo H antigen, OBI-833 completed the Dose Escalation Phase of phase I clinical trial for safety, from which the Company designated one dosage and one cancer type for its Cohort Expansion Phase. In 2016, the US FDA permitted the Company to merge its OBI-833/834 clinical phase I investigational new drug application (IND) application into a single OBI-833 IND. The Company plans to carry out an additional OBI-833/834 arm in this Cohort Expansion Phase using the designated

dosage and cancer type mentioned above.

(3) **OBI-888**

A passive immuno-oncology therapy based on a monoclonal antibody that targets Globo H, OBI-888 completed a single dose toxicity study in primates with no major adverse reactions identified. It is currently undergoing repeated-dose toxicity studies. The sequence of OBI-888 was filed for international patent application (PCT) and is currently under review (National Phase). An IND application is expected in the fourth quarter of 2017.

(4) **OBI-858 Novel Botulinum Toxin**

A new clostridium botulinum toxin preparation with expected uses in medicine and cosmetology, OBI-858 underwent toxicity studies and bulk clinical-use drug production and drug stability studies that were completed in 2015. The Company is currently working on the development of bacteria-free packing processes of the finished drug as well as dosage form research. In the future, the Company will qualify a cGMP manufacturer to handle production of finished drugs for a clinical studies. The Company is actively seeking a co-development partner to jointly development this drug.

(5) **OBI-868 Glycan array**

A carbohydrate membrane array test reagent that can instantly monitor the concentration of carbohydrate antibodies generated in a patient, OBI-868 is a carbohydrate membrane array that offers greater sensitivity, specificity, and accuracy than the traditional ELISA method. This carbohydrate membrane array has been used for specimen analysis in the clinical trial setting, including the OBI-822 retrospective trial and OBI-833 Phase I clinical trial. Preliminary experimental data indicates that patients who generate enough Globo H IgG antibodies at an early stage will benefit from better progression-free survival. In the future, OBI-868 may be used to assist the Company in relevant tests necessary for the development of carbohydrate-based active immuno-oncology therapies.

(6) **OBI-999**

An Antibody Drug Conjugate (ADC) treatment for cancer that is based on Globo H, OBI-999 uses a Globo H antibody to target cancer cells of high Globo H performance. By releasing a small molecule chemotherapeutic drug through the specificity of the antibody, it directly deploys cytotoxicity therapy at the targeted cancer cells. Preliminary pharmacological studies and animal verification have already been

completed, and it is currently undergoing Chemistry Manufacturing Control (CMC) planning and toxicology study design. Proposed patent applications and arrangements are also underway.

(7) **OBI-3424 AKR1C3**

OBI-3424 is a prodrug targeting AKR1C3-enzyme. In May 2017, the Company acquired this asset with the intention to continue research and development and to ultimately commercialize OBI-3424 in major global markets outside of Asia. An IND application is expected to be filed in the first quarter of 2018. The AKR1C3 enzyme is highly expressed in over 15 types of tumors, and is mainly involved in hormone synthesis and the elimination of toxins. Under AKR1C3 enzyme catalysis inside tumor cells, OBI-3424 will be transformed into an active anticancer cytotoxic agent. OBI-3424 is also the most advanced drug under research and development for this mechanism.

2. Expected invested research and development costs:

The Company mainly invests in the clinical trial, product development and pre-clinical research and development of each new drug products, in the future, the research and development costs will be listed gradually according to the new product development progress, and it is expected to invest research and development costs of about NT$5.2 billion in total from 2017 to 2019.

(iv) The impact of changes in domestic and overseas important policies and laws on company financial affairs and solutions:

In recent years, the government attaches importance to the development of biotechnology industry, under the promotion by policies such as "Biotech and New Pharmaceutical Development Act", "Taiwan Biotechnology Take-off Diamond Action Plan" and "Economic Cooperation Framework Agreement" etc., including the compliance with Good Clinical Practice (GCP) standards, the government gives priority to promote the cross-strait clinical trial, drug research and development cooperation and "Drug Project Advisory Guidelines of Food and Drug Administration, Department of Health, Executive Yuan" in the way of pilot program and project, and has been leading the research and development energy of biotechnology industry.

In September 2010, OBI Pharma was approved as the "Biotechnology New Drug Development Company", apart from actively applying for relevant tax

preference and budget subsidy to reduce capital outflow, OBI Pharma also observed the changes of relevant biotechnology policies and laws and regulations both at home and abroad at any time, so as to master the opportunity to respond to the change of market environment. Meanwhile, under the ECFA cooperation framework between the governments across the strait, OBI-822 program of OBI Pharma and other four biotechnology companies in Taiwan had been elected as the first pilot program in cross-strait clinical trial.

Biotechnology industry is under high control by laws and regulations, from research and development stage of product, clinical trial execution, medicament license acquisition to production and launch for sales, every stage must conform to the operation specification of medical laws and regulations. Moreover, due to the territoriality characteristics of medical laws and regulations, if product needs to be exported to other countries, it needs to conform to the requirement of medical laws and regulations of every country. The change of medical laws and regulations in each country will directly impact the development schedule and research funding of biotechnology product. Therefore, the solutions of the Company include:

1. Actively recruit talents with experience in global laws and regulations, and set medical regulatory department.
2. The development of new drug chooses the USA and Taiwan which with the most mature, transparent and open medical laws and regulations as the prior bases for clinical trial execution.
3. Apart from keeping close attention to the changes of laws and regulations in each country, personnel of medical regulatory department will also actively participate in the medical laws and regulations seminar held by each public association in biotechnology industry, and hire experts familiar with local medical laws and regulations in the country of executing clinical trial as the consultant, so as to actually master the change of latest laws and regulations, and reduce the adverse impact caused by the changes of laws and regulations on the developing products of the Company.

(v) The impact of changes of technology and industry on company financial affairs and solutions:

The entry threshold of biotechnology industry is high, the product research and development period is long, and the added value is high but the risk is also high. Hence from research and development to the output of new drug, it might take over ten years, therefore, the Company will always pay

attention to the technology development trend of biotechnology industry, commence on assessing possible impacts, and carry out necessary direction or strategy adjustment. In flexible respond to the change of technology or industry, and effectively avoid the possible impact, the Company takes the following solutions:

1. Has prepared adequate funding to complete the OBI-822 new drug clinical trial.

   The total assets value of the Company is NT$5.9 billion as at the end of March 2017, among them, the current assets are NT$5.11 billion (another NT$420 million is the fixed term deposit with maturity date more than one year, and is classified under "Investment in debt instruments without active market - non-current" according to the financial report preparation standards), hence the Company has prepared sufficient fund to respond to the expenditures in the OBI-822 new drug development application and the clinical experiment in each phase.

2. Prudently assess the opportunity and benefit of the new drug under development

   For products under research and development currently, all kinds of trials are carried out according to the new drug development process, and their success likelihood and market value are assessed gradually according to the trial result, once the product benefit of competitor is better or its development speed is ahead, all the result of each trial of the Company is not as well as expected etc., the Company will adjust or suspend the plan in due time to reduce unnecessary subsequent risks.

3. Implement saving and costs rationalization

   The Company strictly executes budget management system to reduce unnecessary expenditure.

4. Apply for research and development plan subsidy

   Actively strive for research and development plan subsidy from the government to reduce the costs expenditure of the Company.

5. Cooperate with major pharmaceutical company through technology licensing

   The Company possess sufficient financial resources and experience for independent research and development and developing global market, but not excluding the cooperative development with major pharmaceutical company to accelerate the extension of product research and development progress, and share the research and development risks through collecting early signing bonus and milestone payment.

(vi) The impact of change of corporate image on corporate crisis management and solutions:

Ever since the establishment, the Company has been adhering to the operating principles of sustainability and integrity and concentrating on new drug development, hoping to provide patients a new medical choice; meanwhile, the Company continuously strengthens company internal management, actively marches towards international market and improves quality management capability. In the last year and as at the publication date of annual report, the Company has no relevant corporate crisis derived from the change of corporate image; in the future, the Company will continuously implement corporate governance requirement and consult expert opinion in due time to reduce the impact of such risk on company operation.

(vii) Expected benefit and possible risk of merger and acquisition and solutions:
Please refer to Item vii. Handling situation of acquiring or transferring shares of other company to issue new shares in the Item IV. Fundraising Situation of the annual report.

(viii) Expected benefit and possible risk of plant expansion and solutions:
currently the Company has no plan of plant expansion.

(ix) Risk encountered in centralized purchasing or sales and solutions:
Apart from that DIFICID™ of the Company has acquired the new drug license issued by the Ministry of Health and Welfare, other products are still at the stage of development and clinical experiment, and there is no launch and production of other new drug product yet. In October 2015, the Company had licensed DIFICID™ to American Merck Sharp & Dohme, in the future, Merck Sharp & Dohme will be responsible for product purchasing and sales, and the Company will not need to bear the purchasing or sales risks. The future sales of other products mainly target at hospitals, and there is no risk of centralized sales, and the Company may conduct self-production or outsource for manufacturing, the choice of outsourcing manufacturing is large, and there is no risk of centralized purchasing.

(x) The impact and risk of massive transfer or change of the stock rights of directors, supervisors or substantial shareholders with shareholding over ten percent and solutions:
There is no such circumstance.

(xi) The impact and risk of change of operation right and solutions:
Most of the operations of the Company are planned by the business unit and executed after approved by the management echelon, hence a sound and complete operation mode has been established; even if in case of change of operation right, its impact on sustainable operation is limited.

(xii) Litigation or non-litigation case:

1. In the last two years and as at the publication date of public prospectus, the litigation, non-litigation or administrative litigation case already

concluded by the final and unappealable judgment or still under litigation, where the result thereof might have significant impact on the shareholders' equity or security price, the facts in dispute, amount of money at stake , the commencement date of litigation, major parties involved in litigation and current status of dispute shall be disclosed:

(1) The Company applied to the Trademark Office of The State Administration for Industry & Commerce of the People's Republic of China for registration of "OBI PHARMA" trademark in 2013, but the Trademark Office rejected the application of the Company on the ground of likelihood of confusion, and the Company determined to bring the case to administrative court, and lodged the second instance appeal to the Beijing High People's Court in November 2015. This case is administrative remedy and has no significant adverse impact on the company financial affairs and business.

(2) The Company had applied to the Trademark Office of The State Administration for Industry & Commerce of the People's Republic of China for registration of "浩鼎" trademark in 2014, but the Trademark Office rejected the application case of the Company on the ground of likelihood of confusion. In February 2016, the Company reached a coexistence agreement with the cited trademark owner, and filed an application to the Beijing Intellectual Property Court in April 2016 for trademark administrative litigation, in November 2016, Beijing Intellectual Property Court had made administrative judgment to withdraw the decision on rejection of review on OBI trademark, and the Trademark Office has issued the announcement on preliminary examination for approval of "浩鼎" trademark.

(3) Starting from April 6, 2016, the Next Magazine and its relevant personnel deliberately fabricated, published and issued false reports in the magazine published by it successively, intended to damage the reputation of the Company, it has caused major damage to the reputation of the Company and affected the stock price of the Company, and the Company thereby filed civil and criminal charges pursuant to law. For the part of civil procedure, on April 26, 2017, Taipei District Court has sentenced to deny the claim of the

Company, and the Company will file an appeal pursuant to law. For criminal part, Prosecutors Office of Shilin District Court has decided not to bring charge against relevant defendants, in order to safeguard the rights and interests of all shareholders, on April 24, 2017, the Company has applied to the Prosecutors Office of Taiwan High Court for reconsideration.

2. In the last two years and as at the publication date of this annual report, whether the director, supervisor, General Manager, any person with actual responsibility for the company and any major shareholders holding a stake of greater than ten percent of the Company are involved in any litigation, non-litigation or administrative litigation case already concluded by the final and unappealable judgment or still under litigation, where, the results thereof might have significant impact on company shareholders' equity or securities price:
   For the part in which Michael N. Chang, Chairman of the Company, is suspected of involving in corruption, currently it is under the first-instance by Taiwan Shilin District Court. For the part in which Michael N. Chang and Amy Huang, Chairman and General Manager of the Company, are suspected of involving in insider trading, currently it is under the first-instance by Taiwan Shilin District Court.
3. In the last two years and as at the publication date of this annual report, whether the director, supervisor, manager and major shareholders holding a stake of greater than ten percent of the Company have any circumstance as prescribed in Article 157 of Securities Exchange Act and the current status of the company’s disposition: NA.

(xiii) Other important risks and solutions:

Major operating items of the Company are the new drug development, despite the predictable profits are impressive after successful launch of products, but, relatively, the risk is also high. Overall operating risks of the Company and solutions are summarized as follows:

1. Risk of new drug clinical trial development failure
   If the new drug development and clinical trial result are not as well as expected, the risk that the new drug cannot launch on the market will be caused. Since the variables of cancer patients are more, the difficulty of clinical trial is higher. Whether OBI-822 can actually delay the

recurrence of advanced breast cancer patients and increase the survival rate, it is still needed to be confirmed by subsequent clinical trial.

Solutions:

(1) The Company carried out OBI-822 phase III trial in Taiwan and phase II trial in US and other regions; such clinical trial plan regularly convenes Data Safety Monitoring Board meeting to review the OBI-822 safety data, and the trial is only proceeded after confirming such data without any mistake; besides, the Company continuously seeks advice from breast cancer treatment authorities all over the world to discuss all kinds of data and trial details, so as to ensure correct direction of clinical trial, improve the chance of success of clinical trial, and reduce the failure risk.

(2) Apart from appointing clinical trial company to execute human body clinical experiment strictly following the Good Clinical Practice (GCP), the Company also hires international experienced professional manager to follow the clinical trial laws and regulations to ensure the trial quality.

(3) The target of OBI-822 Globo-H polysaccharides antigen has been verified, it has high effects on various cancer cells, such as breast cancer, ovarian cancer and pancreatic cancer etc.; according to the international clinical experience, the same product always shows different efficacy on different cancers, in order to expand the possible cancer therapy scope of OBI-822 and bring benefits to more patients, apart from carrying out the global clinical phase III trial taking the breast cancer as the indication, the Company might also carry out clinical trial on other cancers.

2. New drug product technical aspect - new drug manufacturing and raw materials supply risks

The biological preparation and protein drug always encounter the challenge of consistency in supply source and quality, since OBI-822 belongs to carbohydrate protein drug, there is no exception.

Solutions:

(1) Apart from currently stable sources of raw materials supply, the Company also actively seeks for secondary supplier of high quality

raw materials supply, so as to ensure the demand of clinical trial and the product supply upon launching on the market in the future.

(2) The Company continuously recruits excellent talents to improve pharmaceutical process and research and development technology, and select cooperative manufacturers conforming to the highest specification of Good Manufacturing Practice (PIC/S GMP) to meet the requirements of laws and regulations upon new drug registration in each country in the future, so that product can launch on the market smoothly.

3. Risk of new drug development industry aspect - despite the profit of cancer new drug is expectable, the research and development schedule is long, and the spending is also considerable.

Solutions:

(1) The cash flow of the Company and experience of internal talents are sufficient to handle the current development demand, but in order to maintain strategic flexibility and accelerate new product and new indication development, the Company will not exclude the cooperation with major international pharmaceutical company to carry out clinical trial, through technology licensing signing bonus and milestone payment income, or the joint sharing of trial expenses, so as to reduce the research and development costs and accelerate the speed of product development.

(2) The Company will continue to control the cost and make the best use of resources; and coordinate with product development schedule and assess all kinds of available fund-raising instruments to initiate the next stage of fund-raising plan in due time.

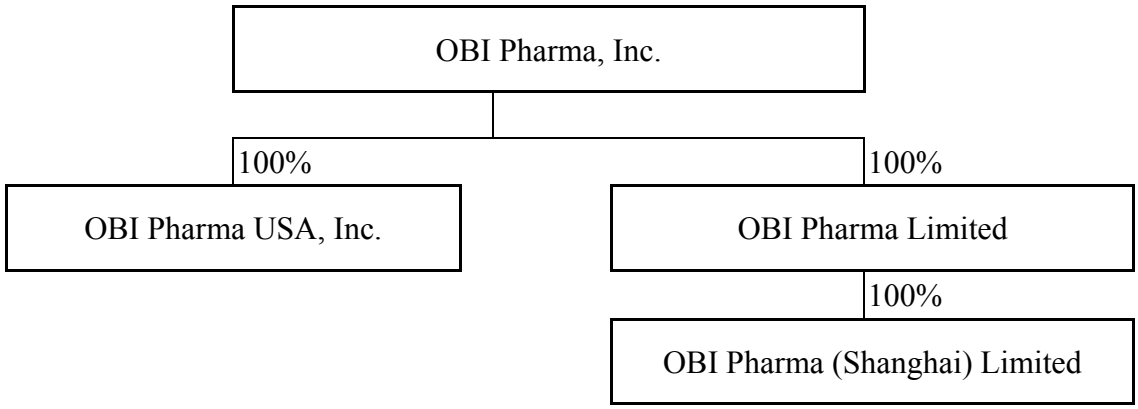
vii. Other important matters: NA.

VIII. Special Recorded Matters

i. Relevant information of affiliated enterprise:

(i) Consolidated business report of affiliated enterprise

1. Organization chart of affiliated enterprise



2. Basic information of affiliated enterprises

Date: December 31, 2016

Name of enterprise	Establishment date	Address	Paid-up capital	Main business or production item
OBI Pharma USA, Inc.	April 30, 2013	Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801.	USD 2,700,001	Biotechnology research and development
OBI Pharma Limited	November 29, 2012	Rm. 2401, 24/F., 101 King's Road, Fortress Hill, Hong Kong	USD 600,000	Investment and trading business
OBI Pharma (Shanghai) Limited	March 29, 2013	K, Room 1006, No. 376, Zhaojiabang Road, Shanghai	USD 500,000	Biotechnology research and development

3. Same shareholder information of those presumed with control and subordinate relationship: NA.

4. Industries covered by the operating business of overall affiliated enterprises.

(1) Industries covered by the operating business of overall affiliated

enterprises and divisions are as follows:

A. Investment and trading: OBI Pharma Limited

B. Biotechnology research and development: OBI Pharma USA, Inc., OBI Pharma (Shanghai) Limited

(2) For details of main business or production item of each affiliated enterprise, please see the preceding Item 2. Basic information of affiliated enterprise.

5. Information of directors, supervisors and General Manager of each affiliated enterprise

Date: December 31, 2016; Unit: NT$thousand; share; %

Name of enterprise	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio
OBI Pharma USA, Inc.	Director	OBI Pharma, Inc. (legal representative: Michael N. Chang)	2,701,000	100%
	Director	OBI Pharma, Inc. (legal representative: Tessie M Che)		
	Director	OBI Pharma, Inc. (legal representative: Kevin Poulos)		
OBI Pharma Limited	Director	OBI Pharma, Inc. (legal representative: Amy Huang)	600,000	100%
OBI Pharma (Shanghai) Limited	Director	OBI Pharma Limited (legal representative: Yu Xiaofeng)	-	100%

(ii) Operation profile of each affiliated enterprise

Date: December 31, 2016; Unit: NT$thousand; and NT$ for earnings per share

Name of enterprise	Capital amount	Total assets	Total liabilities	Net value	Net revenue	Income from operations	Current profit and loss (after tax)	Earnings per share (after tax)
OBI Pharma USA, Inc.	87,107	57,310	12,596	44,714	81,793	4,346	1,878	0.70
OBI Pharma Limited	19,350	2,495	190	2,305	0	(6,561)	(6,485)	(10.81)
OBI Pharma (Shanghai) Limited	16,125	2,338	59	2,279	0	(5,069)	(4,994)	-

(iii) Affiliated enterprise consolidated financial statement

Pursuant to the provisions of "Affiliated Enterprise Consolidated Business Report, Affiliated Enterprise Consolidated Financial Statement and Relationship Report Preparation Standards", in 2016 [from January 1, 2016 to December 31, 2016], the Company shall be included in the company preparing affiliated enterprise consolidated financial statement, and it is the same pursuant to the provisions of Securities Issuer Financial Statement Preparation Standards and No. 27 "Related Party Disclosures" of International Accounting Standards, the Company shall be included in the company preparing parent company and subsidiary consolidated financial report, and relevant information shall be disclosed in affiliated enterprise consolidated financial statement have been disclosed in the preceding parent company and subsidiary consolidated financial report.

(iv) Relationship report: NA.

ii. In the last year and as at the publication date of annual report, handling situation of private placement of securities: NA.

iii. In the last year and as at the publication date of annual report, subsidiary's holding or disposal of shares of the Company: NA.

iv. Other necessary supplementary explanations:

The Company became public listing on March 23, 2015, the execution situation of commitments for listing so far:

Commitments for listing	**Handling situation of commitments**
(i) Commits that Taipei Exchange may ask OBI to appoint the accountant or institution designated by Taipei Exchange when necessary, so as to carry out external professional review according to the audit	There is no such circumstance yet.

Commitments for listing	Handling situation of commitments
scope designated by it and submit the examination result to the Center, and OBI shall bear relevant costs thereof.	
(ii) Commits to additionally stipulate that "The Company shall not give up the capital increase to OBI Pharmaceutical Biotechnology Co., Ltd. and OBI Pharma USA Inc. in the coming years; the OBI Pharmaceutical Biotechnology Co., Ltd. shall not give up the capital increase to OBI Bio-pharmaceutical Technology (Shanghai) Co., Ltd. in the coming years; in the future, if the Company needs to give up capital increase to or dispose the said companies due to strategic alliance consideration or other reasons as agreed by Taipei Exchange, special resolution needs to be passed by Board of Directors of the Company." in the "Handling Procedures for Acquisition or Disposal of Assets". And in case of amendment to such handling procedures subsequently, significant	1. The commitments on the left have been passed in General Meeting held on June 27, 2016. 2. According to the letter of commitment submitted upon the first application for OTC, the Company commits not to waive the capital increase to subsidiary.

Commitments for listing	Handling situation of commitments
information disclosure shall be input at mops.twse.com.tw and reported to Taipei Exchange for future reference.	

v. The first listing (foreign public) company shall include the description on significant difference from the shareholders' equity protection regulations of our country. Not applicable

vi. In the last year and as at the publication date of annual report, the occurrence of matter having significant impact on the shareholders' equity or security price as prescribed in Subparagraph 2, Paragraph 3, Article 36 of Securities Exchange Act: NA.

OBI PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of OBI PHARMA INC. and its subsidiaries (the "Group") as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

matters.

Key audit matter – Existence of working capital

Description

Please refer to Notes 4(6) and 4(8) of the consolidated financial statements for accounting policies applied to working capital, and Notes 6(1) and 6(3) of the consolidated financial statements for details of account items. As of December 31, 2016, cash and cash equivalents and investments in debt instruments (including current and non-current assets) without active market amounted to NT$1,414,078 thousand and NT$4,471,180 thousand, respectively.

As of December 31, 2016, total amount of cash and cash equivalents and investments in debt instruments (including current and non-current assets) without active market accounted for 93% of OBI Group's total assets. Thus, we consider the existence of working capital a key audit matter.

How our audit addressed the matter

Our procedure in relation to above key audit matter included:

1. Inspecting the bank statements, bankbooks, and online banking information to ensure the deposits belong to OBI Group.
2. Sending bank confirmation letters to determine existence and obligations of cash and cash equivalents.
3. Verifying accuracy of bank accounts information.
4. Reviewing and testing the mathematical accuracy of bank reconciliation statements, agreeing the balance with the balance per cash book, identifying any unusual or significant items and ensuring that these are properly disposed of.
5. Inspecting the general ledger of temporary debit (credit) and other receivables (payables) to ensure there is no lending or borrowing.
6. Selecting samples of material cash transactions and checking whether the transactions were incurred for operational needs.

Key audit matter – impairment assessment of intangible asset

Please refer to Note 4(14) of the consolidated financial statements for accounting policies on impairment assessment of non-financial assets, Note 5(1) of the consolidated financial

statements for critical judgements in applying the Group's accounting policies on impairment intangible assets, and Note 6(5) of the consolidated financial statements for details of account items.

As of December 31, 2016, the carrying value of intangible asset of OBI Group amounted to NT$46,462 thousand. The intangible asset pertains to the intellectual property acquired from another company for research and development of new drugs. Since the drug is still under development, no cash inflow can be generated. As of the balance sheet date, the Group considers external and internal information in determining whether the intangible asset is impaired. Since the impairment assessment performed by management involves critical judgement, we consider impairment assessment of intangible asset a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's impairment assessment included:

1. Reviewing the information used by the Group management for impairment assessment of intangible asset including plan and progress for each development project, etc., conducting discussion with management and director of research and development department regarding the information used for impairment assessment of intangible asset, and assessing whether:

   (1)The intellectual property and technology acquired from another company are still competitive.

   (2)There is any delay in the progress of the major research and development plan.

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

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

2. For those intangible assets that may be impaired, obtaining the valuation model prepared by OBI Group, comparing the future cash flows quoted in the model with the operation plan approved by the OBI board to ensure consistency, comparing the discount rate, market risk rate, and return rate employed with interest rate and return rate of similar industries and evaluating the reasonableness of the risk factor.

Key audit matter – Valuation of employee share-based payment

Description

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

The compensation cost of employee share-based payment recognised for 2016 amounted to NT$308, 952 thousand, which accounted for 28% of the Group's net loss for 2016. The accrual of these transactions require the use of valuation model, thus, we consider the valuation of employee share-based payment a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's valuation of employee share-based payment included:

1. Obtaining actuarial valuation regarding employee share-based payment from external experts, and performing the following procedures regarding critical assumptions and estimates used in the actuarial valuation from external experts:
   (1) Checking whether the Group made reasonable estimates based on inputs such as expected dividend rate, price volatility, and risk-free interest rate as of the option grant date.
   (2) Recalculating accrued expense based on the fair value of share option.
2. Assessing the reasonableness of the valuation of the employee share-based payment by external experts.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of OBI PHARMA INC. as at and for the years ended December 31, 2016 and 2015.

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

Management is responsible for the preparation and fair presentation of the consolidated

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those

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

Audrey Tseng　　Chang, Ming-Hui

for and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2017

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
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,414,078	22	$ 2,300,548	31
1147	Investments in debt instruments without active market - current	6(3)	2,359,611	37	-	-
1200	Other receivables		40,789	1	15,130	-
1410	Prepayments		65,072	1	42,599	1
11XX	**Total current assets**		3,879,550	61	2,358,277	32
	Non-current assets					
1523	Available-for-sale financial assets - non-current	6(2)	27,181	-	22,500	-
1546	Investments in debt instruments without active markets - non-current	6(3)	2,111,569	33	4,762,163	65
1600	Property, plant and equipment	6(4) and 7	226,648	4	74,934	1
1780	Intangible assets	6(5)	46,462	1	56,983	1
1900	Other non-current assets	8	36,667	1	36,139	1
15XX	**Total non-current assets**		2,448,527	39	4,952,719	68
1XXX	**Total assets**		$ 6,328,077	100	$ 7,310,996	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2200	Other payables		$ 84,531	2	$ 53,515	1
2220	Other payables to related parties	7	185	-	6,470	-
2230	Current income tax liabilities		606	-	1,483	-
2310	Advance receipts		-	-	64,580	1
2320	Long-term liabilities, current portion	6(6)	10,140	-	-	-
2399	Other current liabilities		1,995	-	956	-
21XX	**Total current liabilities**		97,457	2	127,004	2
2540	**Long-term borrowings**	6(6)	69,860	1	-	-
2XXX	**Total liabilities**		167,317	3	127,004	2
	Equity attributable to owners of parent					
	Share capital	6(9)				
3110	Share capital - common stock		1,716,119	27	1,707,200	23
3200	**Capital surplus**	6(8)(10)	8,743,211	138	8,277,385	113
	Retained earnings	6(11)				
3350	Accumulated deficit		(3,913,277)	(62)	(2,803,149)	(38)
3400	**Other equity interest**		1,428	-	2,556	-
3500	**Treasury shares**	6(9)	(386,721)	(6)	-	-
3XXX	**Total equity**		6,160,760	97	7,183,992	98
	Significant Contingent Liabilities and Unrecognized Contract Commitments	6(5), 7 and 9				
	Significant Events after the Balance Sheet Date	11				
3X2X	**Total liabilities and equity**		$ 6,328,077	100	$ 7,310,996	100

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

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

			Year ended December 31			
			2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(5)(12)	$ 92,422	100	$ -	-
5000	**Operating costs**		-	-	-	-
5900	**Gross profit**		92,422	100	-	-
	Operating expenses	6(4)(5)(7)(8)(16)(17)(20) and 7				
6200	Administrative expenses		(345,412)	(373)	(415,061)	-
6300	Research and development expenses		(859,480)	(930)	(648,157)	-
6000	**Total operating expenses**		(1,204,892)	(1303)	(1,063,218)	-
6900	**Operating loss**		(1,112,470)	(1203)	(1,063,218)	-
	Non-operating income and expenses					
7010	Other income	6(3)(13)	84,480	91	55,096	-
7020	Other gains (losses)	6(14)	(79,421)	(86)	68,309	-
7050	Finance costs	6(15)	(213)	-	-	-
7000	**Total non-operating income and expenses**		4,846	5	123,405	-
7900	**Loss before tax**		(1,107,624)	(1198)	(939,813)	-
7950	Tax expense	6(18)	(2,504)	(3)	(1,524)	-
8200	**Loss for the year**		($ 1,110,128)	(1201)	($ 941,337)	-
	Other comprehensive (loss) income, net					
	Components of other comprehensive (loss) income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		($ 1,128)	(1)	$ 1,709	-
8300	**Other comprehensive (loss) income for the year, net**		($ 1,128)	(1)	$ 1,709	-
8500	**Total comprehensive loss for the year**		($ 1,111,256)	(1202)	($ 939,628)	-
	Loss Per Share (in dollars)	6(19)				
9750	**Basic and diluted loss per share**		($ 6.51)		($ 5.66)	

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

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

		Equity attributable to owners of the parent							
			Capital Reserves						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Employee stock warrants	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Treasury stocks	Total equity
2015									
Balance at January 1, 2015		$ 1,499,936	$ 1,613,276	$ 188,719	$ 2,895	($ 1,861,812)	$ 847	$ -	$ 1,443,861
Net loss for the year		-	-	-	-	(941,337)	-	-	(941,337)
Other comprehensive income for the year		-	-	-	-	-	1,709	-	1,709
Issuance of common stock	6(9)	200,000	6,000,000	-	-	-	-	-	6,200,000
Share-based payment transactions	6(8)(9)(10)(17)	7,264	107,255	278,288	86,952	-	-	-	479,759
Balance at December 31, 2015		$ 1,707,200	$ 7,720,531	$ 467,007	$ 89,847	($ 2,803,149)	$ 2,556	$ -	$ 7,183,992
2016									
Balance at January 1, 2016		$ 1,707,200	$ 7,720,531	$ 467,007	$ 89,847	($ 2,803,149)	$ 2,556	$ -	$ 7,183,992
Net loss for the year		-	-	-	-	(1,110,128)	-	-	(1,110,128)
Other comprehensive loss for the year		-	-	-	-	-	(1,128)	-	(1,128)
Repurchase of treasury shares	6(9)	-	-	-	-	-	-	(386,721)	(386,721)
Share-based payment transactions	6(8)(9)(10)(17)	8,919	241,518	224,308	-	-	-	-	474,745
Balance at December 31, 2016		$ 1,716,119	$ 7,962,049	$ 691,315	$ 89,847	($ 3,913,277)	$ 1,428	($ 386,721)	$ 6,160,760

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

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

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 1,107,624)	($ 939,813)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(4)(16)	34,440	22,482
Amortization	6(5)(16)	10,988	10,948
Interest income	6(13)	(61,636)	(45,383)
Gain on disposal of property, plant and equipment	6(14)	(2)	-
Compensation cost for share-based payment transactions	6(8)(10)(17)	308,952	472,495
Changes in operating assets and liabilities			
Changes in operating assets			
Other receivables		(2,545)	(1,975)
Prepayments		(22,473)	(5,619)
Other current assets		-	750
Changes in operating liabilities			
Other payables		33,086	7,808
Other payables to related parties		(6,285)	6,470
Advance receipts		(64,580)	64,580
Other current liabilities		1,039	169
Cash outflow generated from operations		(876,640)	(407,088)
Interest received		38,522	34,884
Income tax paid		(1,978)	-
Net cash flows used in operating activities		(840,096)	(372,204)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets	6(2)	(4,681)	-
Acquisition of investments in debt instruments without active markets		(1,751,020)	(4,362,163)
Proceeds from disposal of investments in debt instruments without active markets		2,042,003	-
Acquisition of property, plant and equipment	6(4)(21)	(183,245)	(47,971)
Gain on disposal of property, plant and equipment		2	-
Acquisition of intangible assets	6(5)(21)	(107)	(186)
Increase in refundable deposits		(489)	(21,424)
Decrease in refundable deposits		1,676	604
Increase in other non-current assets		(8,537)	(2,008)
Net cash flows from (used in) investing activities		95,602	(4,433,148)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings (including current portion)		80,000	-
Proceeds from cash capital increase	6(9)	-	6,200,000
Exercise of employee stock options	6(8)(9)	165,793	7,264
Repurchase of treasury shares	6(9)	(386,721)	-
Net cash flows (used in) from financing activities		(140,928)	6,207,264
Effects due to changes in exchange rate		(1,048)	1,677
Net (decrease) increase in cash and cash equivalents		(886,470)	1,403,589
Cash and cash equivalents at beginning of year		2,300,548	896,959
Cash and cash equivalents at end of year		$ 1,414,078	$ 2,300,548

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

OBI PHARMA, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars,
except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 9, 2017.

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")

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and operating results 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 IFRS as endorsed by the FSC effective from 2017:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost.

Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises

revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognise revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

E. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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.

(4) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International

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

(5) Basis of preparation

A. Except for the available-for-sale financial assets measured at fair value, these consolidated financial statements have been prepared under the historical cost convention:

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(6) 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 unrealized 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 recognized in profit or loss. All amounts previously recognized 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 recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Remark
The Company	OBI Pharma Limited	Investing and trading	100.00	100.00	-
The Company	OBI Pharma USA, Inc.	Biotechnolgoy development	100.00	100.00	-
OBI Pharma Limited	OBI Pharma (Shanghai) Limited	Biotechnolgoy development	100.00	100.00	-

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

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

E. Significant restrictions: None.

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

(7) 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in other comprehensive income.

(8) 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 realized, 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 realized 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 pay off 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 paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off 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.

(9) 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.

(10) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(11) Loans and receivables - investments in debt instruments without active market

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

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

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(c) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(d) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, the amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(13) Derecognition of financial assets

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

(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 recognized 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 derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

(15) Leased assets/leases (lessee)

An operating lease is a lease that the lessor assumes substantially all the risks and rewards incidental to ownership of the leased asset. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the

lease term.

(16) Intangible assets

A. Patent:

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

(b) Patents acquired in cash are stated at cost and amortized on a straight-line basis over their estimated useful lives of 5 to 10 years.

B. Computer software

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

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized 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 recognizing 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 amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

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

(19) Derecognition of financial liabilities

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

(20) 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 recognized as expenses in that period when the employees render service.

B. Pensions - Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they

are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the meeting of Board of Directors subsequently, the differences should be recognized based on the accounting for changes in estimates.

(21) 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 recognized 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 recognized is based on the number of equity instruments that eventually vest.

(22) Income tax

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

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

F. A deferred tax asset shall be recognized 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 utilized.

(23) 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.

(24) Revenue recognition

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

A. Royalties are fixed or cannot be refunded.

B. Contracts are irrevocable.

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

Franchisor has no other obligation after giving the license.

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

(25) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(26) Operating segments

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

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

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

(1) Critical judgements in applying the Group's accounting policies

A. Financial assets-impairment of equity investments:

The Group follows the guidance of IAS 39 to determine whether a financial asset-equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

B. Impairment on intangible assets (excluding goodwill)

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

(2) Critical accounting estimates and assumptions

Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent fund raising activities, fair value assessment of other companies of the same type technical development status, market conditions and other

economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(27) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 100	$ 60
Checking accounts and demand deposits	379,359	126,170
Time deposits	1,034,619	2,174,318
	$ 1,414,078	$ 2,300,548

A. The Group associates 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.

(28) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Non-current item:		
Unlisted stocks	$ 27,181	$ 22,500

A. In January 2016, the Group paid $4,681 for participating proportionately to its share ownership in the Agnitio Science & Technology Inc.'s capital increase for 234 thousand shares. After the capital increase, the Group held 1,734 thousand shares in Agnitio Science & Technology Inc. and the shareholding ratio was 4.19%.

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

(29) Investments in debt instruments without active markets

Items	December 31, 2016	December 31, 2015
Current item		
Time deposits	$ 2,359,611	$ -
Non-current item:		
Time deposits	2,111,569	4,762,163
	$ 4,471,180	$ 4,762,163

A. The Group recognized interest income of $48,430 and $23,310 for time deposits with maturity over 1 year in profit or loss for the years ended December 31, 2016 and 2015, respectively.

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

(30) Property, plant and equipment

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

	Land	Buildings and structures	Lab equipment	Office equipment	Leasehold improvements	Total
At January 1, 2015						
Cost	$ -	$ -	$ 49,295	$ 6,354	$ 15,601	$ 71,250
Accumulated depreciation	-	-	(13,447)	(4,496)	(8,073)	(26,016)
	$ -	$ -	$ 35,848	$ 1,858	$ 7,528	$ 45,234
2015						
At January 1	$ -	$ -	$ 35,848	$ 1,858	$ 7,528	$ 45,234
Additions	-	-	32,736	3,686	13,738	50,160
Other non-current assets transfer in	-	-	2,001	-	-	2,001
Depreciation	-	-	(15,689)	(1,988)	(4,805)	(22,482)
Net exchange differences	-	-	8	11	2	21
At December 31	$ -	$ -	$ 54,904	$ 3,567	$ 16,463	$ 74,934
At December 31, 2015						
Cost	$ -	$ -	$ 84,045	$ 9,787	$ 25,581	$ 119,413
Accumulated depreciation	-	-	(29,141)	(6,220)	(9,118)	(44,479)
	$ -	$ -	$ 54,904	$ 3,567	$ 16,463	$ 74,934

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

(31) Intangible assets

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

	Patent					
	OBI-822 Therapeutically metastatic breast cancer vaccines	OBI-858 Product development project of botulinum	OBI-833 Next-generation cancer vaccine	OBI-868 Reagent for cancer screening	Software	Total
At January 1, 2015						
Cost	$ 87,577	$ 42,858	$ 1,500	$ 1,500	$ 4,924	$ 138,359
Accumulated amortisation	(56,667)	(12,144)	(288)	(575)	(940)	(70,614)
	$ 30,910	$ 30,714	$ 1,212	$ 925	$ 3,984	$ 67,745
2015						
At January 1	$ 30,910	$ 30,714	$ 1,212	$ 925	$ 3,984	$ 67,745
Additions	-	-	-	-	186	186
Amortisation (Note)	(5,152)	(4,285)	(150)	(300)	(1,061)	(10,948)
At December 31	$ 25,758	$ 26,429	$ 1,062	$ 625	$ 3,109	$ 56,983
At December 31, 2015						
Cost	$ 87,577	$ 42,858	$ 1,500	$ 1,500	$ 5,110	$ 138,545
Accumulated amortisation	(61,819)	(16,429)	(438)	(875)	(2,001)	(81,562)
	$ 25,758	$ 26,429	$ 1,062	$ 625	$ 3,109	$ 56,983

Note: Except for the amortisation of computer software which was recognised as "Operating expenses - management expenses", amortisation of other intangible assets is recognised as "Operating expenses – research and development expenses".

A. The Company purchased patents named "OPT-822", therapeutically metastatic breast cancer vaccines, and "OPT-80", Macrolide, from Optimer Pharmaceuticals, Inc. (the name "Optimer" is no longer used since January 2013 and the name was changed to "OBI-822/821" after the organization 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 million) based on the appraisal report, was acquired as intellectual property right through equity of 20,400 thousand shares.

(b) The Company signed an authorized sale contract for Antibiotics-Fidaxomicin with OPT on June 6, 2011. The contract states that the Company must pay royalty fees to OPT based on 17% or 22% of sales under the revenue achievements. The payment period of the royalty fee is the duration of patent right or ten years starting from the initial sales, whichever is later.

(c) The Company signed a patent transfer contract for Macrolide with Optimer Pharmaceuticals, Inc. on October 30, 2009. The price was $109,126 and the Company recognized a gain on disposal of assets amounting to $26,660 by deducting the costs of $116,423 and accumulated amortisation of $33,957.

(d) The Company needs to pay the annual fee and achieved milestones. As of December 31, 2016, the remaining unpaid amount for achieved milestones amounted to US$13,250

thousand. The amount of payment was determined based on whether the milestones in the agreement are achieved or not. Furthermore, the Company must pay royalty fees based on a certain percentage of the sales of patented products annually.

B. In order to improve mass production and manufacturing process of OBI-822 for expanding global market, the Company has signed an exclusive patent license for chemosynthesis of carbohydrates with Academia Sinica on April 23, 2014, and the contract period is from April 23, 2014 to the expiration of protection duration of the last patented product. The Company must pay patent licensing fees and royalty fees in accordance with the contract. Except for royalty fees, the Company assesses whether to pay patent licensing fees based on 4 achieved milestones. The total contract amount was approximately $60,000. Further, pursuant to the supplements and amendments agreement on February 18, 2016, the patent licensing fees reduced to $57,320. As of December 31, 2016, the Company paid royalty fees of $20,000 in 2014 and paid patent licensing fees of $27,320 for the nine months ended September 30, 2016. These fees were recognised as research and development expenses.

C. The Company purchased a patent named "product development project of botulinum" from Amaran Biotechnology Inc. on March 2, 2012, which amounted to $42,858 based on external experts' valuation.

D. The Company acquired patents named "next-generation cancer vaccine" and "reagent for cancer screening". 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 October 2, 2015, the Company signed an agreement to transfer exclusive rights of DIFICID (generic name: Fidaxomicin) to Optimer Pharmaceuticals, LLC. (Optimer). The agreement is available until the expiration date of patents which is estimated to be November 27, 2128. The Company will transfer the relevant rights of DIFICID to Optimer Company based on the mutual agreement. Optimer Company should pay the Company: (i) upfront payment of USD3 million; (ii) accumulated net sales amount and milestone payment for new indications: not higher than USD 3.25 million and USD1 million per new indication; (iii) royalty fees for sales: certain percentage of net sales amount. Optimer Company's associate in Taiwan, Merck Sharp & Dohme (I.A.) LLC. - Taiwan Branch (MSD), is responsible for the operation of DIFICID in Taiwan. As of December 31, 2016, the Company has received 3 million based on the agreement and transferred the relevant rights of DIFICID to MSD. The authorized sale contract described above in A.(b) will be terminated once the upfront payment for the agreement to transfer exclusive rights of DIFICID to Optimer Pharmaceutical, LLC. has been fully collected.

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

(32) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016
Long-term bank borrowings				
Secured borrowings	Borrowing period is from October 5, 2016 to October 5, 2022; interest is repayable monthly (Note 1)	1.60%	Note 3	$ 70,000
Unsecured borrowings	Borrowing period is from October 5, 2016 to October 5, 2016; interest is repayable monthly (Note 2)	1.60%	Note 3	10,000
				80,000
Less: current portion				(10,140)
				$ 69,860

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

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

Note 3: Please refer to Note 8 for details.

As of December 31, 2015, the Group has no borrowings.

(33) Pension

A. The Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company were $6,726 and $6,166 for the years ended December 31, 2016 and 2015, respectively.

B. For the pension plan by local government regulations, OBI Pharma USA, Inc. and OBI Pharma (Shanghai) Limited, recognised pension costs of $2,958 and $2,522 for the years ended December 31, 2016 and 2015, respectively.

(34) Share-based payment

A. The options were granted to qualified employees of the Company by issuing new shares when exercised. The options are valid for 10 years. The major contents were as follows:

Type of agreement	Grant date	No. of units	Subscription share per unit	Vesting conditions	Weighted-average remaining contract period (years)
Employee stock option plan	2010.03.08	2,360,000	1	One year after grant, employees can exercise options monthly at a certain percentage	3.19
〃	2010.05.21	100,000	1	〃	3.39
〃	2010.09.10	60,000	1	〃	3.69
〃	2010.12.15	144,000	1	〃	3.96
〃	2011.01.01	588,000	1	〃	4.00
〃	2011.03.30	80,000	1	〃	4.25
〃	2011.06.10	124,000	1	〃	9.44
〃	2011.09.30	260,000	1	〃	4.75
〃	2011.12.16	2,450,000	1	〃	4.96
〃	2012.01.01	1,560,000	1	〃	5.00
〃	2012.03.09	270,000	1	〃	5.19
〃	2013.11.27	1,821,000	1	Two years after grant, employees can exercise options monthly at a certain percentage	6.91
〃	2014.02.21	1,744,000	1	〃	7.14
〃	2014.03.26	575,000	1	〃	7.23
〃	2015.05.06	2,861,000	1	〃	8.35
〃	2015.08.04	75,000	1	〃	8.60
〃	2015.11.06	353,000	1	〃	8.85
〃	2015.12.15	13,000	1	〃	8.96
〃	2016.03.25	1,377,000	1	〃	9.23
Cash capital increase reserved for employee preemption	2013.07.26	839,514	1	Vested immediately	-
〃	2015.03.16	3,000,000	1	〃	-

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

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

	Years ended December 31,			
	2016		2015	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	8,910,542	$ 224.40	6,507,252	$ 138.81
Options granted	1,377,000	420.00	3,302,000	343.80
Options exercised	(891,920)	185.88	(726,376)	10.00
Options forfeited or expired	(567,834)	345.42	(172,334)	220.70
Options outstanding at end of the year	8,827,788	212.65	8,910,542	224.40
Options exercisable at end of the year	3,752,870		2,765,542	
Options authorized but not granted at end of the year	1,385,000		2,762,000	
Options expired	-		-	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2016 and 2015 was $447.00 and $351.42 (in dollars), respectively.

D. As of December 31, 2016 and 2015, the range of exercise prices of stock options outstanding were both $10~$727 (in dollars).

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

Type of agreement	Grant date	Exercise price per share (in dollars)	Expected volatility (Note)	Expected option life	Expected dividend yield	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock option plan	2010.03.08	$ 10.0	44.23%	10 years	0%	1.42%	$ 3.16
〃	2010.05.21	10.0	44.23%	10 years	0%	1.42%	3.16
〃	2010.09.10	10.0	44.23%	10 years	0%	1.42%	3.16
〃	2010.12.15	10.0	44.23%	10 years	0%	1.42%	3.16
〃	2011.01.01	10.0	41.62%	10 years	0%	1.51%	4.98
〃	2011.03.30	10.0	41.62%	10 years	0%	1.51%	4.98
〃	2011.06.10	10.0	41.62%	10 years	0%	1.51%	4.98
〃	2011.09.30	10.0	40.94%	10 years	0%	1.29%	3.21
〃	2011.12.16	10.0	40.94%	10 years	0%	1.29%	3.21
〃	2012.01.01	10.0	40.83%	10 years	0%	1.22%	5.21
〃	2012.03.09	10.0	40.83%	10 years	0%	1.22%	5.21
〃	2013.11.27	247.4	49.72%	10 years	0%	1.44%	128.42
〃	2014.02.21	214.4	47.62%	10 years	0%	1.34%	114.80
〃	2014.03.26	227.6	46.54%	10 years	0%	1.38%	97.07
〃	2015.05.06	334.0	44.46%	10 years	0%	1.33%	150.18

Type of agreement	Grant date	Exercise price per share (in dollars)	Expected volatility (Note)	Expected option life	Expected dividend yield	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock option plan	2015.08.04	283.0	43.90%	10 years	0%	1.21%	125.27
〃	2015.11.06	422.0	44.11%	10 years	0%	1.01%	186.00
〃	2015.12.15	727.0	45.44%	10 years	0%	0.99%	328.28
〃	2016.03.25	420.0	47.70%	10 years	0%	0.72%	195.43
Cash capital increase reserved for employee preemption	2013.07.26	158.0	18.68%	0.125 years	0%	0.87%	14.02
〃	2015.03.16	310.0	23.49%	0.005 years	0%	0.87%	63.51

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

F. For the years ended December 31, 2016 and 2015, the Company recognized employee stock option plan compensation expense of $308,952 and $472,495, respectively.

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

(35) Share capital

As of December 31, 2016, the Company's authorized capital after the capital increase was $3,000,000, consisting of 300 million shares of ordinary stock (including 24 million shares reserved for employee stock options), and the outstanding capital was $1,716,119 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2016	2015
At January 1	170,719,960	149,993,584
Employee stock options exercise	891,920	726,376
Cash capital increase	-	20,000,000
Shares retired	(862,000)	-
At December 31	170,749,880	170,719,960

A. Treasury stock

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

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

For the year ended December 31, 2015: None.

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

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

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

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

(36) 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 Law 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.

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

	2015		
	Share premium	Employee stock options	Others
At January 1	$ 1,613,276	$ 188,719	$ 2,895
Cash capital increase	6,000,000	-	-
Employee stock options compensation cost	-	472,495	-
Employee stock options exercised	107,255	(107,255)	-
Employee stock options expired	-	(86,952)	86,952
At December 31	$ 7,720,531	$ 467,007	$ 89,847

(37) Accumulated deficit

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

B. The Company is facing a capital intensive industrial environment, with the life cycle of the industry in the growth phase. The residual dividend policy is adopted taking into consideration the Company's operating expansion plans and investment demands. According to the balanced dividend policy adopted by the Board of Directors, stock dividends and cash dividends will be allocated in consideration of the actual net income and funds status and are subject to the approval by the Board of Directors and resolution by shareholders and cash dividends shall account for at least 10% of the total dividends distributed.

C. Except for covering accumulated deficit, increasing capital or payment of cash, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall not exceed 25% of the paid-in capital.

D. As proposed by the Board of Directors on March 9, 2017, the Company's accumulated deficit for 2016 is as follows:

	2016
Accumulated deficit at beginning of the year	($ 2,803,149)
Net loss in 2016	(1,110,128)
Accumulated deficit at end of the year	($ 3,913,277)

As of March 9, 2017, the deficit compensation for 2016 has not yet been resolved by the shareholders.

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

(38) Operating revenue

	Years ended December 31,	
	2016	2015
Licensing revenue	$ 92,386	$ -
Other revenue	36	-
	$ 92,422	$ -

Under the agreement between the Company and Optimer Pharmaceuticals, LLC. (Optimer), the Company transferred exclusive rights of DIFICID to Optimer on October 2, 2015. The transfer has been completed in the second quarter of 2016 and the Company has received and recognised USD 3 million as licensing revenue. For the information relating to the agreement for transferring exclusive rights of DIFICID, please refer to Note 6(5).

(39) Other income

	Years ended December 31,	
	2016	2015
Government grants	$ -	$ 8,652
Interest income	61,636	45,383
Others	22,844	1,061
	$ 84,480	$ 55,096

A. The Company obtained government grants for OBI-822 (former name: OPT-822/821), therapeutically metastatic breast cancer vaccines, in Phase Ⅱ / Ⅲ from Department of Industrial Technology of Ministry of Economic Affairs R.O.C. (MOEA) on December 25, 2012. The contract period is July 1, 2012 to June 30, 2016 and contract grant is $75,128. The government grants contract ended on June 30, 2016, and the contract grant of $75,128 has been fully collected. The Company recognized government grants of $0 and $8,652 based on the development progress for the years ended December 31, 2016 and 2015, respectively.

In accordance with the above plan signed under the Technology Development Program by Ministry of Economic Affairs, 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.

B. In the second quarter of 2016, the Company received the legal attest letter from Securities and Futures Investors Protection Center whereby the Company was required to enforce disgorgement. The Company has enforced disgorgement and recognised disgorgement of profits amounting to $22,773.

(40) Other gains and losses

	Years ended December 31,	
	2016	2015
Net currency exchange (loss) gain	($ 79,368)	$ 68,319
Gain on disposal of property, plant and equipment	2	-
Other expenses	(55)	(10)
	($ 79,421)	$ 68,309

(41) Finance costs

	Years ended December 31,	
	2016	2015
Interest expense:		
Bank borrowings	$ 213	$ -

(42) Expenses by nature

	Years ended December 31,	
	2016	2015
Employee benefit expenses	$ 519,008	$ 651,226
Clinical trials cost	85,323	85,385
Clinical material expenses	278,535	148,212
Royalty	28,939	800
Rental expenses	22,761	17,955
Consulting and service fees	147,058	68,082
Depreciation charges on property, plant and equipment	34,440	22,482
Amortization charges on intangible assets	10,988	10,948
Other expenses	77,840	58,128
	$ 1,204,892	$ 1,063,218

(43) Employee benefit expense

	Years ended December 31,	
	2016	2015
	Operating expense	Operating expense
Wages and salaries	$ 183,148	$ 155,387
Employee stock options	308,952	472,495
Labor and health insurance fees	10,004	8,234
Pension costs	9,684	8,688
Other personnel expenses	7,220	6,422
	$ 519,008	$ 651,226

A. According to the Articles of Incorporation, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisions' 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. For the years ended December 31, 2016 and 2015, no employees' compensation and directors' and supervisors' remuneration was accrued. Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(44) Income tax

A. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2016	2015
Tax calculated based on loss before tax and statutory tax rate	($ 188,258)	($ 159,768)
Effects from items disallowed by tax regulation	-	178
Income tax withhold	2,504	1,524
Effects from unrecognized deferred tax assets	188,258	159,590
Tax expense	$ 2,504	$ 1,524

B. The details of unused investment tax credits under the Act for the Development of Biotech and New Pharmaceuticals Industry are as follows:

December 31, 2016		
Qualifying items	Unused tax credits	Unrecognized deferred tax assets
Research and development	$ 351,309	$ 351,309

December 31, 2015		
Qualifying items	Unused tax credits	Unrecognized deferred tax assets
Research and development	$ 331,082	$ 331,082

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

C. Expiration dates of unused net operating loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2016				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2007	$ 22,592	$ 22,592	$ 22,592	2017
2008	154,355	154,355	154,355	2018
2009	7,557	7,557	7,557	2019
2010	92,437	92,437	92,437	2020
2011	116,457	116,457	116,457	2021
2012	239,902	239,902	239,902	2022
2013	405,027	405,027	405,027	2023
2014	606,286	606,286	606,286	2024
2015	993,114	993,114	993,114	2025
2016	1,025,801	1,025,801	1,025,801	2026

December 31, 2015				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2006	$ 19,409	$ 19,409	$ 19,409	2016
2007	22,592	22,592	22,592	2017
2008	154,355	154,355	154,355	2018
2009	7,557	7,557	7,557	2019
2010	92,437	92,437	92,437	2020
2011	116,457	116,457	116,457	2021

December 31, 2015				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2012	239,902	239,902	239,902	2022
2013	405,027	405,027	405,027	2023
2014	606,286	606,286	606,286	2024
2015	993,114	993,114	993,114	2025

D. The Tax Authority has examined the Company's income tax returns through 2014.

E. Accumulated deficit:

	December 31, 2016	December 31, 2015
Deficit generated in and after 1998	($ 3,913,277)	($ 2,803,149)

F. As of December 31, 2016 and 2015, the balance of the imputation credit account was $0, and no earnings can be distributed due to the accumulated deficit.

(45) Loss per share

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

	Year ended December 31, 2015		
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic and diluted loss per share			
Net loss	($ 941,337)	166,294	($ 5.66)

The potential ordinary shares have anti-dilutive effect due to net loss in 2016 and 2015, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

(46) Operating leases

The Group leases offices under non-cancellable operating lease agreements. As of December 31, 2016 and 2015, the Group recognized rental expenses of $22,761 and $17,955, respectively. Information about the future aggregate minimum lease payments under non-cancellable operating leases are disclosed in Note 9.

(47) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2016	2015
Acquisition of property, plant and equipment	$ 179,332	$ 50,160
Add: opening balance of payable	5,288	3,099
Less: ending balance of payable	(1,375)	(5,288)
Cash paid during the year	$ 183,245	$ 47,971

	Years ended December 31,	
	2016	2015
Acquisition of intangible assets	$ 467	$ 186
Add: opening balance of payable	-	-
Less: ending balance of payable	(360)	-
Cash paid during the year	$ 107	$ 186

7. RELATED PARTY TRANSACTIONS

(48) Parent and ultimate controlling party

As of December 31, 2016, the Company does not have an ultimate parent company or controlling party.

(49) Significant related party transactions

A. Research and development expenses

	Years ended December 31,	
	2016	2015
Other related parties	$ 45,087	$ 21,568

(a) In January 2016, the Group signed the drugs purchase agreement for clinical trial of OBI-821 and OBI-822 with other related parties. The purchase amount was $46,850 which was based on the mutual agreement.

(b) On August 25, 2015, the Group signed a service contract of OBI-821 with other related parties and the estimated payable is $21,568.

B. Other payables

	December 31, 2016	December 31, 2015
Other related parties	$ 185	$ 6,470

C. Property transactions

On March 26, 2016, the Group signed the purchase agreement for production equipment with other related parties. The Group purchased the existing equipment from other related parties and

made it available for processing related products of OBI-821/822, Globo H and OBI-858. The initial acquisition cost of $108,753 less the carrying amount (net of accumulated depreciation) was the purchase amount. As of December 31, 2016, ownership has been transferred and payment has been made amounting to $47,053. The ownership of the remaining equipment has not yet been transferred. In 2015, experimental equipment amounting to $3,878 was purchased from other related parties.

(50) Key management compensation

	Years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 94,071	$ 82,386
Share-based payments	197,752	286,863
	$ 291,823	$ 369,249

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purpose
Land	$ 87,514	$ -	Long-term borrowings (Note)
Buildings and structures	14,921	-	Long-term borrowings (Note)
Other non-current assets	32,956	34,131	Deposits for import duty, bank loan, clinical trial agreement and rental deposit, etc.
	$ 135,391	$ 34,131	

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Except for the promised payments described in Notes 6(5) Intangible assets and 7(2) Related party transactions, the Group entered into operating lease contracts for its offices. Future lease payments under those leases as of December 31, 2016 were as follows:

Year	Amount
2017	$ 22,979
2018	13,854
2019	13,792
2020	14,554
After 2021	70,978
	$ 136,157

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the deficit compensation for 2016, please refer to Note 6 (11) for details.

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 2016, the Group's strategy, which was unchanged from 2015, was to maintain the gearing ratio within reasonable security range. The ratios are as follows:

	December 31, 2016	December 31, 2015
Total liability	$ 167,317	$ 127,004
Less: cash and cash equivalents	1,414,078	2,300,548
Net debt	($ 1,246,761)	($ 2,173,544)
Total equity	$ 6,160,760	$ 7,183,992

(2) Financial instruments

A. Fair value information of financial instruments

The carrying values of the Group's financial instruments measured at non fair value (including cash and cash equivalents, other receivables, investments in debt instrument without active markets (including current and non-current) and other payables (including related parties) are reasonably approximate to the fair values. Long-term borrowings' (including current portion) interest rates are close to market interest rates. Therefore, the carrying value is reasonably calculated using the rational fair value basis. Please refer to Note 12(3) for the fair value information of financial instruments measured at fair value.

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

A. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

B. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

C. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

D. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiaries' functional currencies: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2016					
				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 88,600	32.25	$2,857,350	1%	28,574	$ -
RMB:NTD	40,497	4.617	186,975	1%	1,870	-
Financial assets						
Non-monetary items						
USD:NTD	1,458	32.25	47,019	-	-	-
RMB:NTD	494	0.143	2,279	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	1,725	32.25	55,631	1%	556	-
GBP:NTD	275	39.61	10,893	1%	109	-
RMB:NTD	32	4.617	148	1%	1	-

	December 31, 2015					
				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 42,296	32.83	$1,388,366	1%	$ 13,884	$ -
RMB:NTD	40,464	5.00	202,118	1%	2,021	-
Financial assets						
Monetary items						
USD:NTD	1,607	32.83	52,758	-	-	-
RMB:NTD	1,522	0.152	7,610	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	186	32.83	6,105	1%	61	-

E. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to ($79,368) and $68,319, respectively.

Price risk

A. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

B. The prices of the Group's investments in equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity would have increased/decreased by $272 and $225, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

(a) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the counterparties of financial instruments on the contract obligations. Credit risk arises from deposits in banks and financial institutions, as well as credit exposures to associated research agencies, including outstanding receivables and committed transactions. For banks and financial institutions, only those with the stable credit quality are accepted.

ii During 2016 and 2015, management does not expect any significant losses from non-performance by these counterparties.

(b) Liquidity risk

i. Cash flow forecasting is performed by Group treasury to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational and R&D needs. Such forecasting is in compliance with internal R&D project schedule targets.

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2016 and 2015, the Group's investments in debt instruments without active market (including current and non-current) amounted to $4,471,180 and $4,762,163, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	December 31, 2016				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Other payables	$ 84,716	$ -	$ -	$ -	$ -
Long-term borrowings (current portion)	10,202	10,058	9,914	26,896	28,877

	December 31, 2015				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Other payables (related parties)	$ 59,985	$ -	$ -	$ -	$ -

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

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

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

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at

December 31, 2016 and 2015 is as follows:

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

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ -	$ -	$ 22,500	$ 22,500

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

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

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

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 22,500	Net asset value	Not applicable	-	Not applicable

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

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

			December 31, 2015			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Net asset value	±1%	$ -	$ -	$ 225	$ 225

G. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

	Equity securities	
	Years ended December 31,	
	2016	2015
Opening net book amount	$ 22,500	$ 22,500
Acquired in the period	4,681	-
Closing net book amount	$ 27,181	$ 22,500

H. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(3) Significant transactions information

A. Loans to others: None.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates

and joint ventures): Please refer to table 1.

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

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

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

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

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

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

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

(4) Information on investees

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

(5) Information on investments in Mainland China

A. Basic information: Please refer to table 4.

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

14. SEGMENT INFORMATION

(6) General information

The Group operates business only in a single industry, new drug research. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(7) Measurement of segment information

A. The chief operating decision-maker evaluates the performance of the operating segments based on income before tax. The significant accounting policies and estimates of the operating segment and the accounting policies, estimates and assumptions described in Notes 4 and 5 of the consolidated financial statements are the same.

B. The financial information reported to the chief operating decision-maker and the financial information of the consolidated statements of comprehensive income are the same.

(8) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	Years ended December 31,			
	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 92,422	$ 308,412	$ -	$ 165,674
Others	-	1,365	-	2,382
	$ 92,422	$ 309,777	$ -	$ 168,056

The above non-current assets included property, plant and equipment, intangible assets and other non-current assets, which are categorized based on their location.