

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of OBI PHARMA, INC. and subsidiaries (the "Group") as at December 31, 2020 and 2019, 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, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Key audit matter – Impairment assessment of intangible assets

Description

Refer to Note 4(16) for accounting policies on impairment assessment of non-financial assets, Note 5 for critical judgements adopted in accounting policies on impairment assessment of intangible assets, and Note 6(6) for account details of intangible assets.

As of December 31, 2020, the balance of the Group's intangible assets amounted to NT\$453,881 thousand. The intangible assets consist of related technologies acquired from other companies for new drug development as well as patents, patented technologies and goodwill arising from equity investments in AP Biosciences, Inc. Since the drug is still under development, no cash inflow can be generated. As of the balance sheet date, the Group determines whether the patents and patented technologies are impaired based on external and internal information. The Group would then consider to recognise an impairment loss by comparing the recoverable amount if there is an indication that they are impaired. The goodwill is directly assessed for impairment test. Since the impairment assessment performed by management involves critical judgement and has significant effect on value-in-use valuation, we considered the impairment assessment of intangible assets a key audit matter.

How our audit addressed the matter

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

1. Reviewed the information used by the Group management for impairment assessment of intangible assets (excluding goodwill) including plan and progress for each development project, etc., conducted discussion with management and director of research and development department regarding the information used for impairment assessment of intangible assets, and assessed whether:
 - (1) The features, marketing advantages and market tendency of the main products including research and development technology are still competitive.
 - (2) The progress of the major research and development plan has no significant delay.
 - (3) The total market value of the company is higher than the net assets as of the balance sheet date.
2. Performed the following procedures based on the obtained valuation report on goodwill impairment prepared by external experts:
 - (1) Assessed whether the valuation methods adopted are reasonable for the industry, environment

and the valued assets of the Group;

- (2) Evaluated the reasonableness of main assumptions used in estimating the value-in-use, including R&D timeline, R&D success rate, market share of products after the receipt of drug permit license and royalty rate.
- (3) Examined model parameters and calculations.
- (4) Compared the discount rate used and assumptions on the capital cost of cash-generating units.
- (5) Verified whether the value-in-use exceeds the book value of equity in AP Biosciences, Inc.

Key audit matter – Accuracy of the subsidiaries’ licensing revenue recognition

Description

The Company’s subsidiary has a new licensing revenue, primarily from patent licensing, in the current year. The licensing revenue amounted to NT\$137,560 thousand for the year ended December 31, 2020. Refer to Note 4(24) for accounting policies on licensing revenue recognition and Note 6(14) for account details of licensing revenue. As the Group recognises revenue in accordance with the terms and conditions specified in each license contract, and the amount of revenue is material to the Group’s consolidated operating revenue, we considered the accuracy of licensing revenue recognition a key audit matter.

How our audit addressed the matter

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

1. Checked the contents of license contracts, and confirmed whether the amounts and timing were recognised in accordance with the accounting treatment for revenue recognition.
2. Obtained proper supporting documents to verify whether the rights and obligations have been transferred.

Key audit matter – Reorganisation of entities under common control

Description

As described in Note 6(22), the Group increased its capital by issuing new shares to acquire shares of Amaran Biotechnology Inc. with the merger effective date set on December 31, 2020. As the transaction pertains to the reorganisation of entities under common control, Amaran Biotechnology Inc. shall be treated as if it had always been consolidated since the beginning. Thus, the Group retrospectively restated the 2019 consolidated financial statements when preparing the Group's 2020 comparative consolidated financial statements.

Since the transaction was considered as a material transaction occurring during the reporting period, we considered the reorganisation of entities under common control a key audit matter.

How our audit addressed the matter

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

1. Interviewed the management to obtain an understanding on the purpose, evaluation process and determination of the consideration of this merger.
2. Reviewed the Acquisition Agreement and the meeting minutes of the Board of Directors' Meeting to verify whether the matters resolved in the meeting were consistent with the contents stipulated in the Acquisition Agreement.
3. Reviewed the accuracy of the Company's accounting treatments and records on the merger effective date.
4. Performed the necessary audit procedures on the accounting items in the balance sheet and the statements of comprehensive income on the merger effective date and for the comparative periods in the financial statements.

Other matter – Reference to the audits of other auditors

We did not audit the financial statement of certain subsidiary which was audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the reports of the other auditors. Total assets of this subsidiary amounted to NT\$924,821 thousand, constituting 14% of the consolidated total assets as at December 31, 2019, and the net operating revenue amounted to NT\$4,714 thousand, constituting 84% of the consolidated total

operating revenue for the year then ended, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion (with *Other matter* section) on the parent company only financial statements of OBI PHARMA, INC. as at and for the years ended December 31, 2020 and 2019.

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.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

David Teng

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2021

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
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| (Expressed in thousands of New Taiwan dollars) | | | | | | |
|--|--|------------|-------------------|-----|---------------------------------|-----|
| Assets | | Notes | December 31, 2020 | | (Adjusted) December 31, 2019 | |
| | | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 3,338,302 | 63 | \$ 4,860,015 | 75 |
| 1110 | Financial assets at fair value through | 6(2) | | | | |
| | profit or loss - current | | 383,531 | 7 | 1,394 | - |
| 1170 | Accounts receivable, net | | 1,451 | - | 1,522 | - |
| 1200 | Other receivables | | 17,567 | - | 38,451 | - |
| 130X | Inventories | | 7,358 | - | 4,200 | - |
| 1410 | Prepayments | | 146,603 | 3 | 119,425 | 2 |
| 11XX | Total current assets | | 3,894,812 | 73 | 5,025,007 | 77 |
| Non-current assets | | | | | | |
| 1517 | Financial assets at fair value through | 6(3) | | | | |
| | other comprehensive income-non- | | | | | |
| | current | | 8,037 | - | 8,318 | - |
| 1600 | Property, plant and equipment, net | 6(4) and 7 | 731,193 | 14 | 646,566 | 10 |
| 1755 | Right-of-use assets | 6(5) | 187,027 | 3 | 219,406 | 4 |
| 1780 | Intangible assets, net | 6(6) | 453,881 | 9 | 515,792 | 8 |
| 1900 | Other non-current assets | 8 | 64,900 | 1 | 71,446 | 1 |
| 15XX | Total non-current assets | | 1,445,038 | 27 | 1,461,528 | 23 |
| 1XXX | Total assets | | \$ 5,339,850 | 100 | \$ 6,486,535 | 100 |

(Continued)

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| (Expressed in thousands of New Taiwan dollars) | | | | | | |
|--|---|------------|-------------------|------------------|---------------------------------|------------------|
| Liabilities and Equity | | | December 31, 2020 | | (Adjusted) December 31, 2019 | |
| | | | Notes | AMOUNT | % | AMOUNT |
| Current liabilities | | | | | | |
| 2100 | Current borrowings | 6(7) | \$ | 9,468 | - | \$ - |
| 2130 | Current contract liabilities | 6(14) | | - | - | 19,410 |
| 2150 | Notes payable | | | - | - | 193 |
| 2170 | Accounts payable | | | 157 | - | 177 |
| 2200 | Other payables | | | 189,775 | 3 | 135,650 |
| 2230 | Current income tax liabilities | | | 1,112 | - | 858 |
| 2280 | Current lease liabilities | | | 37,078 | 1 | 41,718 |
| 2320 | Long-term liabilities, current portion | 6(8) | | 9,000 | - | 9,711 |
| 2399 | Other current liabilities | | | 1,898 | - | 1,908 |
| 21XX | Total current liabilities | | | <u>248,488</u> | <u>4</u> | <u>209,625</u> |
| Non-current liabilities | | | | | | |
| 2527 | Non-current contract liabilities | 6(14) | | - | - | 58,230 |
| 2540 | Long-term borrowings | 6(8) | | 35,000 | 1 | 43,289 |
| 2570 | Deferred income tax liabilities | | | 63,196 | 1 | 71,629 |
| 2580 | Non-current lease liabilities | | | 155,407 | 3 | 181,506 |
| 25XX | Total non-current liabilities | | | <u>253,603</u> | <u>5</u> | <u>354,654</u> |
| 2XXX | Total liabilities | | | <u>502,091</u> | <u>9</u> | <u>564,279</u> |
| Equity attributable to owners of parent | | | | | | |
| | Share capital | 6(11) | | | | |
| 3110 | Common stock | | | 1,992,794 | 37 | 1,881,287 |
| | Capital surplus | 6(10)(12) | | | | |
| 3200 | Capital surplus | | | 3,684,782 | 69 | 11,504,987 |
| | Retained earnings | 6(13) | | | | |
| 3350 | Accumulated deficit | | (| 1,377,935) | (26) | (8,259,036) |
| 3400 | Other equity interest | 6(3) | (| 16,788) | - | (22,392) |
| 3500 | Treasury shares | | (| 53,831) | (1) | - |
| 31XX | Equity attributable to owners of the parent | | | <u>4,229,022</u> | <u>79</u> | <u>5,104,846</u> |
| 35XX | Equity attributable to former owner of business combination under common control | | | <u>-</u> | <u>-</u> | <u>452,434</u> |
| 36XX | Non-controlling interest | 4(3) | | <u>608,737</u> | <u>12</u> | <u>364,976</u> |
| 3XXX | Total equity | | | <u>4,837,759</u> | <u>91</u> | <u>5,922,256</u> |
| | Significant Contingent Liabilities and Unrecognised Contract Commitments | 6(6) and 9 | | | | |
| | Significant Events after the Balance Sheet Date | 11 | | | | |
| 3X2X | Total liabilities and equity | | \$ | 5,339,850 | 100 | \$ 6,486,535 |

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)

| | | Year ended December 31 | | | |
|---|---------------------------------|------------------------|--------|-----------------|--------|
| Items | Notes | 2020 | | 2019 | |
| | | AMOUNT | % | AMOUNT | % |
| 4000 Operating revenue | 6(14) | \$ 140,886 | 9 | \$ 5,586 | - |
| 5000 Operating costs | | (6,469) | - | (12,424) | (1) |
| 5900 Gross profit | | 134,417 | 9 | (6,838) | (1) |
| Operating expenses | 6(4)(5)(6)(9)(10)(18)(19) and 7 | | | | |
| 6200 Administrative expenses | | (290,417) | (19) | (312,636) | (18) |
| 6300 Research and development expenses | | (1,309,881) | (88) | (1,257,392) | (73) |
| 6000 Total operating expenses | | (1,600,298) | (107) | (1,570,028) | (91) |
| 6900 Operating loss | | (1,465,881) | (98) | (1,576,866) | (92) |
| Non-operating income and expenses | | | | | |
| 7100 Interest income | 6(15) | 43,418 | 3 | 93,388 | 6 |
| 7010 Other income | | 8,348 | - | 2,035 | - |
| 7020 Other gains and losses | 6(16) | (75,392) | (5) | (234,997) | (14) |
| 7050 Finance costs | 6(17) | (4,184) | - | (3,899) | - |
| 7000 Total non-operating income and expenses | | (27,810) | (2) | (143,473) | (8) |
| 7900 Loss before tax | | (1,493,691) | (100) | (1,720,339) | (100) |
| 7950 Income tax benefit | 6(20) | 3,794 | - | 5,591 | - |
| 8200 Loss for the year | | (\$ 1,489,897) | (100) | (\$ 1,714,748) | (100) |
| Other comprehensive income (loss), net | | | | | |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | | |
| 8316 Unrealised valuation gains and loss from equity investment instruments measured at fair value through other comprehensive income | 6(3) | (\$ 281) | - | \$ 864 | - |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | | |
| 8361 Financial statements translation differences of foreign operations | | 5,885 | 1 | (1,839) | - |
| 8300 Other comprehensive income (loss) for the year, net | | \$ 5,604 | 1 | (\$ 975) | - |
| 8500 Total comprehensive loss for the year | | (\$ 1,484,293) | (99) | (\$ 1,715,723) | (100) |
| Loss attributable to: | | | | | |
| 8610 Owners of the parent | | (\$ 1,377,935) | (92) | (\$ 1,407,026) | (82) |
| 8615 Former owner of business combination under common control | | (79,605) | (6) | (184,356) | (11) |
| 8620 Non-controlling interest | | (32,357) | (2) | (123,366) | (7) |
| Total | | (\$ 1,489,897) | (100) | (\$ 1,714,748) | (100) |
| Comprehensive loss attributable to: | | | | | |
| 8710 Owners of the parent | | (\$ 1,372,331) | (92) | (\$ 1,408,001) | (82) |
| 8715 Former owner of business combination under common control | | (79,605) | (5) | (184,356) | (11) |
| 8720 Non-controlling interest | | (32,357) | (2) | (123,366) | (7) |
| Total | | (\$ 1,484,293) | (99) | (\$ 1,715,723) | (100) |
| Loss per share (in dollars) | | | | | |
| 9750 Basic and diluted loss per share | | (\$ 7.34) | | (\$ 8.30) | |

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| Equity attributable to owners of the parent | | | | | | | | | | | | |
|---|--|-----------------|--|--|--|-----------------------|--|--|--|--|--|----|
| | | Capital Surplus | | | | Other Equity Interest | | | | | | |
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Note: It refers to effect of not acquiring shares issued by subsidiaries in proportion to its interest.

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

| | | Year ended December 31 | |
|---|----------|------------------------|------------------|
| | Notes | 2020 | 2019(Adjusted) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | (\$ 1,493,691) | (\$ 1,720,339) |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(4)(5) | 166,964 | 148,931 |
| Amortisation | 6(6) | 64,875 | 64,972 |
| Interest expense | 6(17) | 4,184 | 3,899 |
| Interest income | 6(15) | (43,418) | (93,388) |
| Dividend income | | (2,096) | - |
| Gains on financial assets at fair value through profit or loss | 6(2) | (53,996) | 148,356 |
| Compensation cost for share-based payment transactions | 6(10) | 76,821 | 153,928 |
| Prepaid equipment transferred to expense | | 229 | - |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss | 6(2) | (328,141) | - |
| Accounts receivable, net | | 71 | (468) |
| Inventories | | (3,158) | 907 |
| Other receivables | | (1,000) | (1,461) |
| Prepayments | | (27,178) | (24,007) |
| Changes in operating liabilities | | | |
| Notes payable | | (193) | 193 |
| Accounts payable | | (20) | 114 |
| Contract liabilities | 6(14) | (77,640) | 77,640 |
| Other payables | | 49,127 | 35,901 |
| Other current liabilities-others | | (10) | (94) |
| Cash outflow generated from operations | | (1,668,270) | (1,204,916) |
| Interest received | | 65,302 | 94,039 |
| Dividends received | | 2,096 | - |
| Income tax paid | | (4,385) | (2,484) |
| Interest paid | | (4,184) | (3,899) |
| Net cash flows used in operating activities | | (1,609,441) | (1,117,260) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | 6(23) | (167,160) | (58,490) |
| Acquisition of intangible assets | 6(6) | (2,964) | (4,949) |
| Increase in prepayments for business facilities | | (15,521) | (11,051) |
| Increase in refundable deposits | | (10,258) | (4,220) |
| Net cash flows used in investing activities | | (195,903) | (78,710) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from exercise of employee stock options | 6(10) | 4,575 | - |
| Subsidiary employees execute stock options to pay shares | | - | 625 |
| Repayment of lease principal | 6(5)(24) | (45,598) | (28,311) |
| Short-term borrowing | 6(7) | 9,468 | - |
| Repayment of long-term debt | 6(8)(24) | (9,000) | (8,999) |
| Proceeds from cash capital increase | 6(11) | - | 2,025,000 |
| Increase in capital and issuance of new shares by the subsidiary | | 291,150 | - |
| Subsidiary holding shares of the parent company are regarded as treasury shares | | - | (93,456) |
| Disposal of the shares of parent company held by the subsidiary | | 18,360 | - |
| Disgorgement exercise | 6(12) | 14,137 | - |
| Net cash flows from financing activities | | 283,092 | 1,894,859 |
| Effects due to changes in exchange rate | | 539 | (1,841) |
| Net (decrease) increase in cash and cash equivalents | | (1,521,713) | 697,048 |
| Cash and cash equivalents at beginning of year | | 4,860,015 | 4,162,967 |
| Cash and cash equivalents at end of year | | \$ 3,338,302 | \$ 4,860,015 |

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, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars)

(Amounts presented as of and for the year ended December 31, 2019 are adjusted amounts)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 12, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’ | January 1, 2020 |
| Amendments to IFRS 3, ‘Definition of a business’ | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’ | January 1, 2020 |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions’ | June 1, 2020 (Note) |

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

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

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9' | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2' | January 1, 2021 |

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | January 1, 2022 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, these consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

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

follows:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | Description |
|--------------------|-------------------------------|---|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| The Company | OBI Pharma Limited | Investing and trading | 100.00 | 100.00 | |
| The Company | OBI Pharma USA, Inc. | Biotechnology development | 100.00 | 100.00 | |
| The Company | AP Biosciences, Inc. | Biotechnology development | 58.99 | 67.00 | Note 1 |
| The Company | OBI Pharma Australia Pty Ltd. | Biotechnology development | 100.00 | 100.00 | |
| The Company | Amaran Biotechnology Inc. | Manufacture and wholesale of western pharmaceuticals as well as research and development of biotechnology | 67.00 | - | Note 2 |
| OBI Pharma Limited | OBI Pharma (Shanghai) Limited | Biotechnology development | 100.00 | 100.00 | |

Note 1: The subsidiary, AP Biosciences, Inc., increased its capital by issuing 10,566 thousand new shares and set the effective date on November 2, 2020 as resolved by the Board of Directors during its meeting on October 23, 2020. However, as the Company did not acquire shares proportionally to its interest, the Company's shareholding ratio decreased to 58.99%.

Note 2: On December 31, 2020, the Company increased its capital by issuing new shares to acquire 67% equity interest in Amaran Biotechnology Inc. As the transaction pertains to the reorganisation, the Group restated the prior year financial statements. Refer to Note 6(22) for details.

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:

On December 31, 2020, the Company increased its capital by issuing new shares to acquire 67%

equity interest in Amaran Biotechnology Inc. As the transaction pertains to the reorganisation, the Company restated the prior year financial statements. As of December 31, 2020 and 2019, the non-controlling interest amounted to \$608,737 and \$364,976, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

| Name of subsidiary | Principal place of business | Non-controlling interest | | | | Description |
|---------------------------|-----------------------------|--------------------------|---------------|-------------------|---------------|-------------|
| | | December 31, 2020 | | December 31, 2019 | | |
| | | Amount | Ownership (%) | Amount | Ownership (%) | |
| AP Biosciences, Inc. | Taiwan | \$ 367,284 | 41.01% | \$ 99,175 | 33.00% | |
| Amaran Biotechnology Inc. | Taiwan | 241,453 | 33.00% | 265,801 | 33.00% | Note |

Note: Shares of the Company held by subsidiaries are treated as treasury shares. Thus, the non-controlling interest as of December 31, 2020 and 2019 decreased by \$26,511 and \$30,716, respectively.

Summarised financial information of the subsidiaries:

Balance sheet

| | AP Biosciences, Inc. | |
|-------------------------|----------------------|-------------------|
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 632,254 | \$ 74,762 |
| Non-current assets | 335,750 | 379,107 |
| Current liabilities | (9,162) | (23,481) |
| Non-current liabilities | (63,196) | (129,860) |
| Total net assets | \$ 895,646 | \$ 300,528 |

| | Amaran Biotechnology Inc. | |
|-------------------------|---------------------------|-------------------|
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 214,267 | \$ 420,484 |
| Non-current assets | 625,395 | 504,337 |
| Current liabilities | (34,940) | (17,618) |
| Non-current liabilities | (93,060) | (95,512) |
| Total net assets | \$ 711,662 | \$ 811,691 |

Statement of comprehensive income

| | AP Biosciences, Inc. | |
|--|--------------------------|-------------|
| | Years ended December 31, | |
| | 2020 | 2019 |
| Revenue | \$ 137,560 | \$ - |
| Loss before tax | (424) | (107,110) |
| Income tax benefit | 8,434 | 8,434 |
| Profit (loss) for the year | 8,010 | (98,676) |
| Other comprehensive loss | - | - |
| Total comprehensive income (loss) for the year | \$ 8,010 | (\$ 98,676) |
| Comprehensive income (loss) attributable to non-controlling interest | \$ 6,851 | (\$ 32,564) |

| | Amaran Biotechnology Inc. | |
|---|---------------------------|--------------|
| | Years ended December 31, | |
| | 2020 | 2019 |
| Revenue | \$ 1,837 | \$ 4,714 |
| Loss before tax | (118,813) | (275,158) |
| Income tax benefit | - | - |
| Loss for the year | (118,813) | (275,158) |
| Other comprehensive loss | - | - |
| Total comprehensive loss for the year | (\$ 118,813) | (\$ 275,158) |
| Comprehensive loss attributable to non-controlling interest | (\$ 39,208) | (\$ 90,802) |

Statements of cash flows

| | AP Biosciences, Inc. | |
|---|--------------------------|-----------|
| | Years ended December 31, | |
| | 2020 | 2019 |
| Net cash (used in) provided by operating activities | (\$ 17,045) | \$ 31,336 |
| Net cash used in investing activities | (7,304) | (13,315) |
| Net cash provided by financing activities | 581,110 | - |
| Net increase in cash and cash equivalents | 556,761 | 18,021 |
| Cash and cash equivalents at beginning of year | 73,963 | 55,942 |
| Cash and cash equivalents at end of year | \$ 630,724 | \$ 73,963 |

| Amaran Biotechnology Inc. | | |
|--|-------------|-------------|
| Years ended December 31, | | |
| | 2020 | 2019 |
| Net cash used in operating activities | (\$ 60,905) | (\$ 71,999) |
| Net cash used in investing activities | (142,546) | (118,099) |
| Net cash provided by financing activities | 9,468 | 625 |
| Net decrease in cash and cash equivalents | (193,983) | (189,473) |
| Cash and cash equivalents at beginning of year | 308,901 | 498,374 |
| Cash and cash equivalents at end of year | \$ 114,918 | \$ 308,901 |

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average

exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

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

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

Otherwise, they are classified as non-current assets.

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

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

Otherwise, they are classified as non-current liabilities.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair

value, and recognises the gain or loss in profit or loss.

- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts receivable

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

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the

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

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|--------------------------|-------------|
| Buildings and structures | 10~50 years |
| Machinery and equipment | 5~20 years |
| Lab equipment | 3~5 years |
| Office equipment | 3~5 years |
| Leasehold improvements | 3~5 years |

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term

or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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

(15) Intangible assets

A. Trademark right

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

B. Patent and acquired special technology:

- (a) Patents acquired in intellectual property right as equity are recognised at fair value at the acquisition date, and amortised on a straight-line basis over the estimated useful life of 17 years.
- (b) If acquired by cash, it is recorded at acquisition cost; if acquired through business combination, it is recorded at fair value as measured at the acquisition date. The estimated useful life is 2 to 10 years, and it is amortised on a straight-line basis.

C. Computer software

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

D. Goodwill

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

(16) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment

loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(17) Borrowings

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

(18) Accounts payables

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

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either 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 recognised as expenses in that period when the employees render service.

B. Pensions - Defined contribution plans

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those

amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

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

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

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

(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

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

The Group recognises revenue when the performance obligation has been satisfied and the subsequent sale occurs.

B. Sales of goods

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

C. Service revenue

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

(25) Reorganisation of entities under common control

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

(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. Critical judgements

adopted in the accounting policies are as follows:

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

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

(2) Impairment assessment of goodwill

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---------------------------------------|---------------------|---------------------|
| Cash on hand | \$ 162 | \$ 162 |
| Checking accounts and demand deposits | 1,289,589 | 1,015,210 |
| Time deposits | 2,048,551 | 3,844,643 |
| | <u>\$ 3,338,302</u> | <u>\$ 4,860,015</u> |

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

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

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

| Items | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Current item: | | |
| Financial assets mandatorily measured at fair value | | |
| Domestic listed and over-the-counter stocks | \$ 106,320 | \$ - |
| Domestic open-end fund | 264,287 | - |
| Foreign listed stocks | 1,394 | 1,394 |
| | <u>372,001</u> | <u>1,394</u> |
| Valuation adjustment | 11,530 | - |
| | <u>\$ 383,531</u> | <u>\$ 1,394</u> |

A. The Group recognised a gain of \$48,772 on financial assets at fair value through profit or loss for the year ended December 31, 2020. There was no such transaction for the year ended December 31, 2019.

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

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

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

| <u>Items</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------------|--------------------------|--------------------------|
| Non-current item: | | |
| Unlisted stocks | \$ 27,181 | \$ 27,181 |
| Valuation adjustment | (19,144) | (18,863) |
| | <u>\$ 8,037</u> | <u>\$ 8,318</u> |

- A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$8,037 and \$8,318 as at December 31, 2020 and 2019, respectively.
- B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | (\$ 281) | \$ 864 |

- C. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$8,037 and \$8,318, respectively.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Property, plant and equipment

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

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

| | Land | Buildings and structures | Machinery and equipment | Lab equipment | Office equipment | Other equipment | Leasehold improvements | Unfinished construction and equipment under acceptance | Total |
|-----------------------------|------------------|-----------------------------|----------------------------|-------------------|---------------------|--------------------|---------------------------|---|-------------------|
| <u>At January 1, 2019</u> | | | | | | | | | |
| Cost | \$ 87,514 | \$ 292,936 | \$ 276,573 | \$ 254,782 | \$ 28,329 | \$ 664 | \$ 36,939 | \$ - | \$ 977,737 |
| Accumulated depreciation | - | (46,973) | (93,992) | (142,185) | (21,628) | (499) | (26,563) | - | (331,840) |
| | <u>\$ 87,514</u> | <u>\$ 245,963</u> | <u>\$ 182,581</u> | <u>\$ 112,597</u> | <u>\$ 6,701</u> | <u>\$ 165</u> | <u>\$ 10,376</u> | <u>\$ -</u> | <u>\$ 645,897</u> |
| <u>2019</u> | | | | | | | | | |
| At January 1 | \$ 87,514 | \$ 245,963 | \$ 182,581 | \$ 112,597 | \$ 6,701 | \$ 165 | \$ 10,376 | \$ - | \$ 645,897 |
| Additions | - | - | 12,349 | 40,974 | 2,216 | - | 3,261 | 6,041 | 64,841 |
| Reclassifications | - | - | - | 30,146 | - | - | 21,106 | 1,376 | |
| (Note 1) | | | | | | | | | 52,628 |
| Depreciation | - | (16,393) | (29,062) | (55,302) | (4,740) | (95) | (11,208) | - | (116,800) |
| At December 31 | <u>\$ 87,514</u> | <u>\$ 229,570</u> | <u>\$ 165,868</u> | <u>\$ 128,415</u> | <u>\$ 4,177</u> | <u>\$ 70</u> | <u>\$ 23,535</u> | <u>\$ 7,417</u> | <u>\$ 646,566</u> |
| <u>At December 31, 2019</u> | | | | | | | | | |
| Cost | \$ 87,514 | \$ 292,936 | \$ 288,922 | \$ 329,926 | \$ 30,409 | \$ 664 | \$ 62,203 | \$ 7,417 | \$ 1,099,991 |
| Accumulated depreciation | - | (63,366) | (123,054) | (201,511) | (26,232) | (594) | (38,668) | - | (453,425) |
| | <u>\$ 87,514</u> | <u>\$ 229,570</u> | <u>\$ 165,868</u> | <u>\$ 128,415</u> | <u>\$ 4,177</u> | <u>\$ 70</u> | <u>\$ 23,535</u> | <u>\$ 7,417</u> | <u>\$ 646,566</u> |

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

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

Note 3: Please refer to Note 6(23).

(5) Leasing arrangements - lessee

- A. The Group leases various assets including land, office space and business vehicles. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. Short-term leases with a lease term of 12 months or less comprise offices. Low-value assets comprise photocopiers. For the years ended December 31, 2020 and 2019, payments of lease commitments for short-term leases amounted to \$5,460 and \$15,537, respectively.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Land use right | \$ 95,512 | \$ 97,942 |
| Buildings | 91,515 | 120,892 |
| Transportation equipment (Business vehicles) | - | 572 |
| | <u>\$ 187,027</u> | <u>\$ 219,406</u> |

| | <u>Years ended December 31,</u> | <u>Years ended December 31,</u> |
|--|---------------------------------|---------------------------------|
| | <u>2020</u> | <u>2019</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land use right | \$ 2,430 | \$ 2,401 |
| Buildings | 44,237 | 29,105 |
| Transportation equipment (Business vehicles) | 572 | 625 |
| | <u>\$ 47,239</u> | <u>\$ 32,131</u> |

- D. For the years ended December 31, 2020 and 2019, the Group increased ‘right-of-use assets’ by \$14,686 and \$53,553, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

| | <u>Years ended December 31,</u> | <u>Years ended December 31,</u> |
|---------------------------------------|---------------------------------|---------------------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 3,404 | \$ 2,984 |
| Expense on short-term lease contracts | 5,460 | 15,537 |
| Expense on leases of low-value assets | 458 | 497 |

- F. For the years ended December 31, 2020 and 2019, the Group’s total cash outflow for leases arising from right-of-use assets were \$54,920 (of which \$45,598 represents principal of lease liabilities) and \$47,329 (of which \$28,311 represents principal of lease liabilities), respectively.

(6) Intangible assets

| | Patent | | | | Patented technology | | | | | | Total |
|-----------------------------|---|---|--|-----------------------------|---|--------------------------------------|--|-----------------|-----------------|------------------|-------------------|
| | OBI-822 | OBI-858 | OBI-833 | OBI-3424 | | | | | | | |
| | Therapeutically metastatic vaccines | Product development project of botulinum | Next- generation cancer vaccine | AKR1C3 enzyme prodrug | Bifunctional fusion protein for age-related mascular degeneration | Bispecific monoclonal antibody | Antibody- drug development platform | Trademarks | Software | Goodwill | |
| <u>At January 1, 2020</u> | | | | | | | | | | | |
| Cost | \$ 87,577 | \$ 42,858 | \$ 1,500 | \$ 90,693 | \$ 81,037 | \$ 271,933 | \$ 96,644 | \$ 1,808 | \$ 14,133 | \$ 61,148 | \$ 749,331 |
| Accumulated amortisation | (82,426) | (33,572) | (1,038) | (21,162) | (11,646) | (54,386) | (19,328) | (50) | (9,931) | - | (233,539) |
| | <u>\$ 5,151</u> | <u>\$ 9,286</u> | <u>\$ 462</u> | <u>\$ 69,531</u> | <u>\$ 69,391</u> | <u>\$ 217,547</u> | <u>\$ 77,316</u> | <u>\$ 1,758</u> | <u>\$ 4,202</u> | <u>\$ 61,148</u> | <u>\$ 515,792</u> |
| <u>2020</u> | | | | | | | | | | | |
| At January 1 | \$ 5,151 | \$ 9,286 | \$ 462 | \$ 69,531 | \$ 69,391 | \$ 217,547 | \$ 77,316 | \$ 1,758 | \$ 4,202 | \$ 61,148 | \$ 515,792 |
| Additions | - | - | - | - | - | - | - | 7 | 2,957 | - | 2,964 |
| Amortisation | (5,151) | (4,286) | (150) | (9,069) | (5,824) | (27,193) | (9,665) | (181) | (3,356) | - | (64,875) |
| At December 31 | <u>\$ -</u> | <u>\$ 5,000</u> | <u>\$ 312</u> | <u>\$ 60,462</u> | <u>\$ 63,567</u> | <u>\$ 190,354</u> | <u>\$ 67,651</u> | <u>\$ 1,584</u> | <u>\$ 3,803</u> | <u>\$ 61,148</u> | <u>\$ 453,881</u> |
| <u>At December 31,</u> | | | | | | | | | | | |
| <u>2020</u> | | | | | | | | | | | |
| Cost | \$ 87,577 | \$ 42,858 | \$ 1,500 | \$ 90,693 | \$ 81,037 | \$ 271,933 | \$ 96,644 | \$ 1,815 | \$ 11,403 | \$ 61,148 | \$ 746,608 |
| Accumulated amortisation | (87,577) | (37,858) | (1,188) | (30,231) | (17,470) | (81,579) | (28,993) | (231) | (7,600) | - | (292,727) |
| | <u>\$ -</u> | <u>\$ 5,000</u> | <u>\$ 312</u> | <u>\$ 60,462</u> | <u>\$ 63,567</u> | <u>\$ 190,354</u> | <u>\$ 67,651</u> | <u>\$ 1,584</u> | <u>\$ 3,803</u> | <u>\$ 61,148</u> | <u>\$ 453,881</u> |

| | Patent | | | | Patented technology | | | | | | | Total |
|--------------------------|-------------------------------------|--|--------------------------------|-----------------------|------------------------------|---|--------------------------------|------------------------------------|-----------------|-----------------|------------------|-------------------|
| | OBI-822 | OBI-858 | OBI-833 | OBI-3424 | | | | | | | | |
| | Therapeutically metastatic vaccines | Product development project of botulinum | Next-generation cancer vaccine | AKR1C3 enzyme prodrug | ThioBridge linker technology | Bifunctional fusion protein for age-related muscular degeneration | Bispecific monoclonal antibody | Antibody-drug development platform | Trademarks | Software | Goodwill | |
| <u>At January 1,</u> | | | | | | | | | | | | |
| Cost | \$ 87,577 | \$ 42,858 | \$ 1,500 | \$ 90,693 | \$ 1,945 | \$ 81,037 | \$ 271,933 | \$ 96,644 | \$ 149 | \$ 10,089 | \$ 61,148 | \$ 745,573 |
| Accumulated amortisation | (77,275) | (29,287) | (887) | (12,092) | (1,216) | (5,823) | (27,193) | (9,664) | (36) | (7,632) | - | (171,105) |
| | <u>\$ 10,302</u> | <u>\$ 13,571</u> | <u>\$ 613</u> | <u>\$ 78,601</u> | <u>\$ 729</u> | <u>\$ 75,214</u> | <u>\$ 244,740</u> | <u>\$ 86,980</u> | <u>\$ 113</u> | <u>\$ 2,457</u> | <u>\$ 61,148</u> | <u>\$ 574,468</u> |
| <u>2019</u> | | | | | | | | | | | | |
| At January 1 | \$ 10,302 | \$ 13,571 | \$ 613 | \$ 78,601 | \$ 729 | \$ 75,214 | \$ 244,740 | \$ 86,980 | \$ 113 | \$ 2,457 | \$ 61,148 | \$ 574,468 |
| Additions | - | - | - | - | - | - | - | - | 312 | 4,637 | - | 4,949 |
| Reclassifications | | | | | | | | | 1,347 | - | | 1,347 |
| Amortisation | (5,151) | (4,285) | (151) | (9,070) | (729) | (5,823) | (27,193) | (9,664) | (14) | (2,892) | - | (64,972) |
| At December 31 | <u>\$ 5,151</u> | <u>\$ 9,286</u> | <u>\$ 462</u> | <u>\$ 69,531</u> | <u>\$ -</u> | <u>\$ 69,391</u> | <u>\$ 217,547</u> | <u>\$ 77,316</u> | <u>\$ 1,758</u> | <u>\$ 4,202</u> | <u>\$ 61,148</u> | <u>\$ 515,792</u> |
| <u>At December 31,</u> | | | | | | | | | | | | |
| <u>2019</u> | | | | | | | | | | | | |
| Cost | \$ 87,577 | \$ 42,858 | \$ 1,500 | \$ 90,693 | \$ 1,945 | \$ 81,037 | \$ 271,933 | \$ 96,644 | \$ 1,808 | \$ 14,133 | \$ 61,148 | \$ 751,276 |
| Accumulated amortisation | (82,426) | (33,572) | (1,038) | (21,162) | (1,945) | (11,646) | (54,386) | (19,328) | (50) | (9,931) | - | (235,484) |
| | <u>\$ 5,151</u> | <u>\$ 9,286</u> | <u>\$ 462</u> | <u>\$ 69,531</u> | <u>\$ -</u> | <u>\$ 69,391</u> | <u>\$ 217,547</u> | <u>\$ 77,316</u> | <u>\$ 1,758</u> | <u>\$ 4,202</u> | <u>\$ 61,148</u> | <u>\$ 515,792</u> |

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

| | Years ended December 31, | |
|-----------------------------------|--------------------------|------------------|
| | 2020 | 2019 |
| Administrative expenses | \$ 2,582 | \$ 2,852 |
| Research and development expenses | 62,293 | 62,120 |
| | <u>\$ 64,875</u> | <u>\$ 64,972</u> |

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

| | December 31, 2020 | December 31, 2019 |
|----------------------|-------------------|-------------------|
| AP Biosciences, Inc. | <u>\$ 61,148</u> | <u>\$ 61,148</u> |

C. The Company purchased patents named "OPT-822", therapeutically metastatic breast cancer vaccines, and "OPT-80", Macrolide, from Optimer Pharmaceuticals, Inc. (the name "Optimer" is no longer used since January 2013 and the name was changed to "OBI-822/821" after the organisation changed in October 2012) on December 29, 2003. The main contract information is as follows:

- (a) The patent amounting to USD 6 million (approximately NTD 204,000) based on the appraisal report, was acquired as intellectual property right through equity of 20,400 thousand shares.
- (b) The Company signed an authorised sale contract for Antibiotics-Fidaxomicin with OPT. The contract states that the Company must pay royalty fees to OPT based on 17% or 22% of sales under the revenue achievements. The payment period of the royalty fee is the duration of patent right or ten years starting from the initial sales, whichever is later.
- (c) On October 2, 2015, the Company entered into a contract with Optimer Pharmaceuticals, LLC. (hereafter referred to as "Optimer"), agreeing to transfer all the rights of DIFICID™ (Fidaxomicin) in terms of marketing approval and filing a trademark application pursuant to Taiwan legislations. The contract will expire on November 27, 2028 when the patent term lapses. The contract provides that the Company is obliged to transfer all related rights to Optimer. In return, Optimer is obliged to pay the Company (a) US\$3 million of contract value; (b) a maximum of US\$3.25 million of accumulated net sales revenue and additional US\$1 million of milestone payment for each new indication; (c) sales royalty calculated based on a certain percentage of net sales revenue. As for all business activities related to DIFICID™, it is handed over to Optimer's associate in Taiwan, Merck Sharp & Dohme (I.A.) LLC. - Taiwan Branch (hereafter referred to as "MSD"). In addition, the authorised sale contract mentioned in Note 6(6)B.(b) has been terminated when the contract value of this transfer contract was settled based on mutual agreement. For the years ended December 31, 2020 and 2019, the Company recognised the aforementioned royalty income of \$1,489 and \$872, respectively.
- (d) The Company needs to pay the achieved milestones. As of December 31, 2020, the remaining unpaid amount was US\$10 million. The amount of payment was determined based on whether the milestones in the agreement are achieved or not. Furthermore, the Company must pay

royalty fees based on a certain percentage of the sales of patented products annually.

- D. In order to improve mass production and manufacturing process of OBI-822 for expanding global market, the Company has signed an exclusive patent license for the Globo H series' chemosynthesis of carbohydrates with Academia Sinica on April 23, 2014, and the contract period is from April 23, 2014 to the expiration of protection duration of the last patented product. The Company must pay upfront patent licensing fees and royalty fees in accordance with the contract. Except for royalty fees, the Company assesses whether to pay periodical patent licensing fees based on 4 achieved milestones. The total contract amount was approximately \$60,000. Further, pursuant to the supplements and amendments agreement on February 18, 2016, the patent licensing fees was reduced to \$57,320. As of December 31, 2020, the Company paid royalty fees of \$20,000 in 2014, milestone patent licensing fees of \$27,320 in 2016 and \$10,000 in 2017. These fees were recognised as research and development expenses.
- E. The Company purchased a patent named "product development project of botulinum" (OBI-858) from Amaran Biotechnology Inc. on March 2, 2012, which amounted to \$42,858 based on external experts' valuation.
- F. In 2010, the Company acquired patents named "next-generation cancer vaccine" (OBI-833) and "reagent for cancer screening" (OBI-868). The contract states that the Company must pay royalty fees based on the achieved milestones. In 2013, the Company paid royalty fees of \$1,500 separately for both projects. Furthermore, the Company must pay royalty fees based on a certain percentage of the sales of patented products annually.
- G. On May 31, 2017, the Company entered into an agreement with Threshold Pharmaceuticals, Inc. to acquire the global IP right (excluding Mainland China, Hong Kong, Macao, Taiwan, Japan, South Korea, Singapore, Malaysia, Thailand, Turkey and India) and patent regarding the innovative micromolecule drug TH-3424, which was then renamed OBI-3424.
- H. On July 11, 2017, the Company entered into a licensing agreement with PolyTherics Limited (Abzena) to introduce the ThioBridgeTM linker technology required for the antibody drug conjugate (ADC). Under the terms of the agreement, the Company is obliged to pay a small amount of upfront payment to Abzena to acquire the worldwide exclusive right to use the ThioBridgeTM technology for the development and commercialisation of ADCs targeting of carbohydrates in the Globo series. In the following years, milestone payments will be due whenever the specified milestones are reached. In addition, the Company is also required to pay royalties based on a certain percentage of sales of the products which incorporate the ThioBridgeTM technology.
- I. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below.

The recoverable amount of all cash-generating units calculated using the value-in-use exceeded

their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are as follows:

| | AP Biosciences, Inc. | |
|---------------|--------------------------|----------|
| | Years ended December 31, | |
| | 2020 | 2019 |
| Gross margin | 87.5%~100% | 75%~100% |
| Growth rate | 5% | 5% |
| Discount rate | 16% | 16% |

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

(7) Short-term borrowings

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

The Group had no short-term borrowings as of December 31, 2019.

(8) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate | Collateral | December 31, 2020 | December 31, 2019 |
|---------------------------|---|---------------|------------|-------------------|-------------------|
| Long-term bank borrowings | | | | | |
| Secured borrowings | Borrowing period is from October 5, 2016 to October 5, 2026; interest is payable monthly (Note 1) | Note 3 | Note 2 | \$ 42,000 | \$ 49,000 |
| Unsecured borrowings | Borrowing period is from October 5, 2016 to October 5, 2021; interest is payable monthly (Note 1) | Note 3 | None | | |
| | | | | 2,000 | 4,000 |
| | | | | 44,000 | 53,000 |
| Less: Current portion | | | | (9,000) | (9,711) |
| | | | | \$ 35,000 | \$ 43,289 |

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

Note 2: Please refer to Note 8 for details.

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

(9) Pension

- A. The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$11,316 and \$11,132, respectively.
- B. OBI Pharma Australia Pty Ltd. and OBI Pharma Limited were not required to set up a policy for employee pension plans. For the pension plan based on local government regulations, OBI Pharma USA, Inc. and OBI Pharma (Shanghai) Limited recognised pension costs of \$4,844 and \$4,330 for the years ended December 31, 2020 and 2019, respectively.

(10) Share-based payment

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

- (a) The options were granted to qualified employees of the Company and the subsidiaries which the Company holds over 50% equity interest by issuing new shares of the Company when exercised. The options are valid for 10 years. The major contents were as follows:

| Type of agreement | Grant date | No. of units | Subscription share per unit | Vesting conditions | Weighted-average remaining contract period (years) |
|--------------------------------------|------------|--------------|-----------------------------|---|--|
| Employee stock option plan (Note) | 2010.03.08 | 2,360,000 | 1 | One year after services, employees can exercise options monthly at a certain percentage | - |
| “ | 2010.05.21 | 100,000 | 1 | “ | - |
| “ | 2010.09.10 | 60,000 | 1 | “ | - |
| “ | 2010.12.15 | 144,000 | 1 | “ | - |
| “ | 2011.01.01 | 588,000 | 1 | “ | - |
| “ | 2011.03.30 | 80,000 | 1 | “ | 0.25 |
| “ | 2011.06.10 | 124,000 | 1 | “ | 0.44 |
| “ | 2011.09.30 | 260,000 | 1 | “ | 0.75 |
| “ | 2011.12.16 | 2,450,000 | 1 | “ | 0.96 |
| “ | 2012.01.01 | 1,560,000 | 1 | “ | 1.00 |
| “ | 2012.03.09 | 270,000 | 1 | “ | 1.19 |

| Type of agreement | Grant date | No. of units | Subscription share per unit | Vesting conditions | Weighted-average remaining contract period (years) |
|---|------------|--------------|-----------------------------|--|--|
| Employee stock option plan (Note) | 2013.11.27 | 1,821,000 | 1 | Two years after services, employees can exercise options monthly at a certain percentage | 2.9 |
| " | 2014.02.21 | 1,744,000 | 1 | " | 3.14 |
| " | 2014.03.26 | 575,000 | 1 | " | 3.23 |
| " | 2015.05.06 | 2,861,000 | 1 | " | 4.34 |
| " | 2015.08.04 | 75,000 | 1 | " | 4.59 |
| " | 2015.11.06 | 353,000 | 1 | " | 4.85 |
| " | 2015.12.15 | 13,000 | 1 | " | 4.96 |
| " | 2016.03.25 | 1,377,000 | 1 | " | 5.23 |
| " | 2017.03.09 | 3,145,000 | 1 | " | 6.18 |
| " | 2017.05.12 | 20,000 | 1 | " | 6.36 |
| " | 2017.08.11 | 20,000 | 1 | " | 6.61 |
| " | 2017.11.10 | 130,000 | 1 | " | 6.86 |
| " | 2018.01.19 | 1,685,000 | 1 | " | 7.05 |
| " | 2019.09.06 | 1,125,000 | 1 | " | 8.68 |
| " | 2019.11.08 | 385,000 | 1 | " | 8.85 |
| " | 2020.08.05 | 510,000 | 1 | " | 9.59 |
| Cash capital increase reserved for employee preemption (Note) | 2013.07.26 | 839,514 | 1 | Vested immediately | - |
| " | 2015.03.16 | 3,000,000 | 1 | " | - |
| " | 2019.04.22 | 2,175,700 | 1 | " | - |

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

- (b) The options were granted to qualified employees of the subsidiary, Amaran Biotechnology Inc., issuing new shares of the subsidiary when exercised. The options are valid for 10 years. The major contents were as follows:

| Type of agreement | Grant date | No. of units | Subscription share per unit | Vesting conditions | Weighted-average remaining contract period (years) |
|-----------------------------------|------------|--------------|-----------------------------|---|--|
| Employee stock option plan (Note) | 2014.01.15 | 920 | 1,000 | One year after services, employees can exercise options monthly at a certain percentage based on the schedule | 3.04 |
| " | 2014.05.02 | 310 | 1,000 | " | 3.33 |
| " | 2014.09.03 | 270 | 1,000 | " | 3.67 |
| " | 2015.02.12 | 255 | 1,000 | " | 4.11 |
| " | 2015.05.27 | 300 | 1,000 | " | 4.40 |
| " | 2015.09.09 | 70 | 1,000 | " | 4.68 |

| Type of agreement | Grant date | No. of units | Subscription share per unit | Vesting conditions | Weighted-average remaining contract period (years) |
|---|------------|--------------|-----------------------------|---|--|
| Employee stock option plan (Note) | 2015.12.15 | 235 | 1,000 | One year after services, employees can exercise options monthly at a certain percentage based on the schedule | 4.95 |
| " | 2016.03.02 | 2,382 | 1,000 | " | 5.16 |
| " | 2016.09.02 | 45 | 1,000 | " | 5.67 |
| " | 2017.01.01 | 179 | 1,000 | " | 6.00 |
| " | 2017.04.01 | 34 | 1,000 | " | 6.25 |
| " | 2017.07.01 | 60 | 1,000 | " | 6.41 |
| " | 2018.03.23 | 1,090 | 1,000 | " | 7.22 |
| " | 2018.09.18 | 60 | 1,000 | " | 7.71 |
| " | 2019.01.01 | 65 | 1,000 | " | 8.00 |
| " | 2019.03.01 | 65 | 1,000 | " | 8.16 |
| " | 2019.10.01 | 210 | 1,000 | " | 8.75 |
| " | 2020.04.01 | 250 | 1,000 | " | 9.25 |
| " | 2020.05.01 | 120 | 1,000 | " | 9.33 |
| Cash capital increase reserved for employee preemption (Note) | 2018.05.29 | 1,000 | 1,000 | Vested immediately | - |

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

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

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

| | Years ended December 31, | | | |
|---|--------------------------|--|-------------------|--|
| | 2020 | | 2019 | |
| | No. of units | Weighted-average exercise price (in dollars) | No. of units | Weighted-average exercise price (in dollars) |
| Options outstanding at beginning of the year | 10,634,832 | \$ 249.44 | 10,230,484 | \$ 245.60 |
| Options granted | 510,000 | 120.00 | 1,510,000 | 140.69 |
| Options exercised | (457,500) | 10.00 | - | - |
| Options forfeited or expired | (732,997) | 276.68 | (1,105,652) | 254.52 |
| Options outstanding at end of the year | <u>9,954,335</u> | 251.81 | <u>10,634,832</u> | 249.44 |
| Options exercisable at end of the year | <u>7,629,383</u> | | <u>7,167,497</u> | |
| Options authorised but not granted at end of the year | <u>-</u> | | <u>-</u> | |

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

| | Years ended December 31, | | | |
|---|--------------------------|--|--------------|--|
| | 2020 | | 2019 | |
| | No. of units | Weighted-average exercise price (in dollars) | No. of units | Weighted-average exercise price (in dollars) |
| Options outstanding at beginning of the year | 3,828 | \$ 41.55 | 3,912 | \$ 42.83 |
| Options granted | 370 | 25.00 | 340 | 25.00 |
| Options exercised | - | - | (35) | 17.86 |
| Options forfeited or expired | (968) | 33.76 | (389) | 42.10 |
| Options outstanding at end of the year | <u>3,230</u> | 41.78 | <u>3,828</u> | 41.55 |
| Options exercisable at end of the year | <u>2,554</u> | | <u>2,319</u> | |
| Options authorised but not granted at end of the year | <u>-</u> | | <u>-</u> | |

- C. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2020 was \$105.3 (in dollars). No stock option was exercised for the year ended December 31, 2019.
- D. As of December 31, 2020 and 2019, the range of exercise prices of the Company's stock options outstanding were \$120~\$727 (in dollars) and \$10~\$727 (in dollars), respectively. The range of exercise prices of the subsidiary's, Amaran Biotechnology Inc., stock options outstanding was \$15~\$70 (in dollars).
- E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

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

| Type of agreement | Grant date | Underlying market value on measurement date (in dollars) | Exercise price per share (in dollars) | Expected volatility (Note) | Expected option life | Expected dividend yield | Risk-free interest rate | Fair value per unit (in dollars) |
|----------------------------|------------|--|---------------------------------------|----------------------------|----------------------|-------------------------|-------------------------|----------------------------------|
| Employee stock option plan | 2010.03.08 | \$ 6.9 | \$ 10.0 | 44.23% | 10 years | 0% | 1.42% | \$ 3.16 |
| " | 2010.05.21 | 6.9 | 10.0 | 44.23% | 10 years | 0% | 1.42% | 3.16 |
| " | 2010.09.10 | 6.9 | 10.0 | 44.23% | 10 years | 0% | 1.42% | 3.16 |
| " | 2010.12.15 | 6.9 | 10.0 | 44.23% | 10 years | 0% | 1.42% | 3.16 |
| " | 2011.01.01 | 9.6 | 10.0 | 41.62% | 10 years | 0% | 1.51% | 4.98 |
| " | 2011.03.30 | 9.6 | 10.0 | 41.62% | 10 years | 0% | 1.51% | 4.98 |
| " | 2011.06.10 | 9.6 | 10.0 | 41.62% | 10 years | 0% | 1.51% | 4.98 |
| " | 2011.09.30 | 7.4 | 10.0 | 40.94% | 10 years | 0% | 1.29% | 3.21 |
| " | 2011.12.16 | 7.4 | 10.0 | 40.94% | 10 years | 0% | 1.29% | 3.21 |

| Type of agreement | Grant date | Underlying market value on measurement date (in dollars) | Exercise price per share (in dollars) | Expected volatility (Note) | Expected option life | Expected dividend yield | Risk-free interest rate | Fair value per unit (in dollars) |
|--|------------|--|---------------------------------------|----------------------------|----------------------|-------------------------|-------------------------|----------------------------------|
| Employee stock option plan | 2012.01.01 | 10.1 | 10.0 | 40.83% | 10 years | 0% | 1.22% | 5.21 |
| " | 2012.03.09 | 10.1 | 10.0 | 40.83% | 10 years | 0% | 1.22% | 5.21 |
| " | 2013.11.27 | 255.6 | 247.4 | 49.72% | 6.375 years | 0% | 1.44% | 128.42 |
| " | 2014.02.21 | 231.4 | 214.4 | 47.62% | 6.375 years | 0% | 1.34% | 114.80 |
| " | 2014.03.26 | 215.0 | 227.6 | 46.54% | 6.375 years | 0% | 1.38% | 97.07 |
| " | 2015.05.06 | 334.0 | 334.0 | 44.46% | 6.375 years | 0% | 1.33% | 150.18 |
| " | 2015.08.04 | 283.0 | 283.0 | 43.90% | 6.375 years | 0% | 1.21% | 125.27 |
| " | 2015.11.06 | 422.0 | 422.0 | 44.11% | 6.375 years | 0% | 1.01% | 186.00 |
| " | 2015.12.15 | 727.0 | 727.0 | 45.44% | 6.375 years | 0% | 0.99% | 328.28 |
| " | 2016.03.25 | 420.0 | 420.0 | 47.70% | 6.375 years | 0% | 0.72% | 195.43 |
| " | 2017.03.09 | 326.0 | 326.0 | 50.01% | 6.375 years | 0% | 1.11% | 159.90 |
| " | 2017.05.12 | 261.0 | 261.0 | 49.51% | 6.375 years | 0% | 0.96% | 126.34 |
| " | 2017.08.11 | 191.0 | 191.0 | 48.61% | 6.375 years | 0% | 0.82% | 90.60 |
| " | 2017.11.10 | 169.0 | 169.0 | 48.44% | 6.375 years | 0% | 0.81% | 79.91 |
| " | 2018.01.19 | 170.5 | 170.5 | 48.61% | 6.375 years | 0% | 0.88% | 81.04 |
| " | 2019.09.06 | 144.0 | 144.0 | 45.65% | 6.375 years | 0% | 0.62% | 64.29 |
| " | 2019.11.08 | 131.0 | 131.0 | 45.03% | 6.375 years | 0% | 0.65% | 57.88 |
| " | 2020.08.05 | 120.0 | 120.0 | 45.37% | 6.375 years | 0% | 0.37% | 52.76 |
| Cash capital increase reserved for employee preemption | 2013.07.26 | 171.2 | 158.0 | 18.68% | 0.125 years | 0% | 0.87% | 14.02 |
| " | 2015.03.16 | 373.5 | 310.0 | 23.49% | 0.005 years | 0% | 0.87% | 63.51 |
| " | 2019.04.22 | 158.0 | 135.0 | 36.55% | 0.09 years | 0% | 0.59% | 23.61 |

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

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

| Type of agreement | Grant date | Underlying market value on measurement date (in dollars) | Exercise price per share (in dollars) | Expected volatility (Note) | Expected option life | Expected dividend yield | Risk-free interest rate | Fair value per unit (in dollars) |
|--|------------|--|---------------------------------------|----------------------------|----------------------|-------------------------|-------------------------|----------------------------------|
| Employee stock option plan | 2014.01.15 | \$ 27.5 | 15.0 | 48.22% | 10 years | 0% | 1.09% | \$ 18.20 |
| " | 2014.05.02 | 27.5 | 15.0 | 48.22% | 10 years | 0% | 1.09% | 18.20 |
| " | 2014.09.03 | 31.5 | 50.0 | 48.22% | 10 years | 0% | 1.02% | 10.79 |
| " | 2015.02.12 | 31.5 | 50.0 | 48.22% | 10 years | 0% | 1.02% | 10.79 |
| " | 2015.05.27 | 31.5 | 50.0 | 48.22% | 10 years | 0% | 1.02% | 10.79 |
| " | 2015.09.09 | 31.5~35.6 | 50.0 | 42.31%~ 42.87% | 10 years | 0% | 0.78%~ 0.93% | 12.80 |
| " | 2015.12.15 | 31.5~35.6 | 50.0 | 42.31%~ 42.87% | 10 years | 0% | 0.78%~ 0.93% | 12.80 |
| " | 2016.03.02 | 31.5 | 50.0 | 42.87% | 10 years | 0% | 0.93% | 12.80 |
| " | 2016.09.02 | 35.6 | 50.0 | 42.31% | 10 years | 0% | 0.78% | 15.33 |
| " | 2017.01.01 | 31.5~35.6 | 70.0 | 42.31%~ 42.87% | 10 years | 0% | 0.78%~ 0.93% | 15.33 |
| " | 2017.04.01 | 31.5~35.6 | 70.0 | 42.31%~ 42.87% | 10 years | 0% | 0.78%~ 0.93% | 15.33 |
| " | 2017.07.01 | 31.5~35.6 | 70.0 | 42.31%~ 42.87% | 10 years | 0% | 0.78%~ 0.93% | 15.33 |
| " | 2018.03.23 | 20.9~29.0 | 25.0 | 20.75%~ 34.14% | 10 years | 0% | 0.69%~ 0.86% | 4.04 |
| " | 2018.09.18 | 20.9~29.0 | 25.0 | 20.75%~ 34.14% | 10 years | 0% | 0.69%~ 0.86% | 4.04 |
| " | 2019.01.01 | 24.8 | 25.0 | 33.59%~ 34.14% | 10 years | 0% | 0.74%~ 0.79% | 8.46 |
| " | 2019.03.01 | 21.9 | 25.0 | 33.36%~ 33.92% | 10 years | 0% | 0.69%~ 0.77% | 6.44 |
| " | 2019.10.01 | 20.9 | 25.0 | 32.15%~ 32.78% | 10 years | 0% | 0.63%~ 0.67% | 5.59 |
| " | 2020.04.01 | 24.4 | 25.0 | 38.00%~ 38.12% | 10 years | 0% | 0.42%~ 0.44% | 8.94 |
| " | 2020.05.01 | 20.4 | 25.0 | 38.59%~ 38.75% | 10 years | 0% | 0.41%~ 0.47% | 6.47 |
| Cash capital increase reserved for employee preemption | 2018.05.29 | 25.0 | 25.0 | 32.06% | 0.11 years | 0% | 0.34% | 1.06 |

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

F. For the years ended December 31, 2020 and 2019, the Group recognised employee stock option plan compensation expense of \$76,821 and \$153,928, respectively.

(11) Share capital

- A. As of December 31, 2020, the Company's authorised capital was \$3,000,000, consisting of 300 million shares of ordinary stock (including 24 million shares reserved for employee stock options), and the outstanding capital was \$1,992,794 with a par value of \$10 (in dollars) per share. Additionally, the Company increased its capital by issuing 10,693,200 new shares to acquire 67% equity interest in Amaran Biotechnology Inc. with the merger effective date set on December 31, 2020. The registration was completed on February 3, 2021.

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

| | (Unit: shares in thousands) | |
|--|-----------------------------|----------------|
| | 2020 | 2019 |
| At January 1 | 187,655 | 173,991 |
| Effect of reorganisation | 10,693 | - |
| Shares of the parent company held by subsidiaries treated as treasury shares | - (| 536) |
| Shares of the parent company sold by subsidiaries | 87 | 62 |
| Exercise of employee stock options | 457 | - |
| Cash capital increase | - | 15,000 |
| Retirement of treasury shares | - (| 862) |
| At December 31 | <u>198,892</u> | <u>187,655</u> |

B. Treasury stock:

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

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

| Reason for reacquisition | Year ended December 31, 2019 | | | | Carrying amount |
|---|------------------------------|------------------------|-----------------------|------------------------|-----------------|
| | Beginning shares | Additions | Disposal | Ending shares | |
| To transfer shares to the employees | 862 thousand shares | - | 862 thousand | - | \$ - |
| Shares of the parent company held by subsidiaries treated as treasury shares (Note) | - | 536 thousand shares | 62 thousand shares | 474 thousand shares | 62,618 |

Note: Shares of the parent company held by subsidiaries are treated as treasury share but are entitled to the shareholders' rights. The number of shares was calculated by multiplying the number of shares of the Company held by the subsidiaries by the shareholding ratio.

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. The capital deduction took effect on March 8, 2019 as resolved by the Board of Directors. All treasury shares were retired.

(12) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-

in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

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

| | 2019 | | |
|--|----------------------|---------------------|-------------------|
| | Employee stock | | |
| | Share premium | options | Others |
| At January 1 | \$ 8,284,772 | \$ 1,099,675 | \$ 145,671 |
| Cash capital increase | 1,875,000 | - | - |
| Retirement of treasury shares | (41,046) | - | - |
| Employee stock options compensation cost | 8,351 | 59,730 | 72,834 |
| At December 31 | <u>\$ 10,127,077</u> | <u>\$ 1,159,405</u> | <u>\$ 218,505</u> |

(13) Retained earnings

- A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Cash dividends shall first be appropriated, and the remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. The Company is facing a capital intensive industrial environment, with the life cycle of the industry in the growth phase. The residual dividend policy is adopted taking into consideration the Company's operating expansion plans and investment demands. According to the balanced dividend policy adopted by the Board of Directors, stock dividends and cash dividends will be allocated in consideration of the actual net income and funds status and are subject to the approval by the Board of Directors and resolution by shareholders and cash dividends shall account for at least 10% of the total dividends distributed.

C. Except for covering accumulated deficit, increasing capital or payment of cash, the legal reserve shall not be used for any other purpose. The amount capitalised or the cash payment shall not exceed 25% of the paid-in capital.

D. As resolved by the shareholders on June 22, 2020, the Company's 2019 deficit is as follows:

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

E. As resolved by the shareholders on March 12, 2021, the Company's proposal for 2020 deficit compensation is as follows:

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

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

As of March 12, 2021, the aforementioned proposal for 2020 deficit compensation has not yet been resolved by the shareholders.

(14) Operating revenue

| | Years ended December 31, | |
|---------------------------------------|--------------------------|----------|
| | 2020 | 2019 |
| Revenue from contracts with customers | \$ 140,886 | \$ 5,586 |

A. Disaggregation of revenue from contracts with customers is as follows:

| <u>Year ended December 31, 2020</u> | <u>Sale of materials</u> | <u>Service provision</u> | <u>Patent licensing</u> | <u>Total</u> |
|---|----------------------------------|----------------------------------|---------------------------------|-------------------|
| Revenue from external customer contracts | | | | |
| Contract revenue | <u>\$ 1,169</u> | <u>\$ 668</u> | <u>\$ 139,049</u> | <u>\$ 140,886</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 1,169</u> | <u>\$ 668</u> | <u>\$ 139,049</u> | <u>\$ 140,886</u> |
| <u>Year ended December 31, 2019</u> | <u>Sale of materials</u> | <u>Service provision</u> | <u>Patent licensing</u> | <u>Total</u> |
| Revenue from external customer contracts | | | | |
| Contract revenue | <u>\$ 670</u> | <u>\$ 4,044</u> | <u>\$ 872</u> | <u>\$ 5,586</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 670</u> | <u>\$ 4,044</u> | <u>\$ 872</u> | <u>\$ 5,586</u> |

B. Contract liabilities

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

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

The Group's subsidiary, AP Biosciences, Inc., entered into a co-development and licensing agreement for new antibody drugs with Company T in July 2019. AP Biosciences, Inc. offered Company T professional knowledge on three developed antibody products and data on eight targets selected out of the targets in the early stage of research and development for the following co-development to proceed. Company T is responsible for all the subsequent clinical development when the transfer of professional expertise from AP Biosciences, Inc. is completed. Company T will obtain the exclusive manufacture and sale rights in China, Hong Kong and Macao after the successful development of the new drugs. In accordance with the agreement, AP Biosciences, Inc. will receive upfront payments, milestone payments and royalties on future sales based on a percentage stipulated in the agreement.

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

As of December 31, 2020, AP Biosciences, Inc. received the upfront payments amounting to USD2,000 thousand and USD2,500 thousand for the three developed antibody products and the four targets selected in the early stage of research and development, respectively. The payments

for the three developed antibody products and the four targets selected in the early stage of research and development were recognised as licensing revenue when the professional expertise and data were transferred in April 2020 and November 2020, respectively, as agreed.

(15) Interest income

| | Years ended December 31, | |
|------------------------------------|--------------------------|-----------|
| | 2020 | 2019 |
| Interest income from bank deposits | \$ 43,418 | \$ 93,388 |

(16) Other gains and losses

| | Years ended December 31, | |
|---|--------------------------|--------------|
| | 2020 | 2019 |
| Net currency exchange loss | (\$ 124,118) | (\$ 87,389) |
| Gains (loss) on financial assets at fair value through profit or loss | 48,751 (| 148,356) |
| Others | (25) | 748 |
| | (\$ 75,392) | (\$ 234,997) |

The subsidiary, Amaran Biotechnology Inc., invested US\$5 million in Stellar Biotechnologies, Inc. (Stellar) through a private placement in August 2013. In 2018, Stellar Biotechnologies, Inc. conducted a share consolidation, every seven shares was combined into one common share, and subsequently increased capital by issuing shares. Amaran Biotechnology Inc. did not acquire shares proportionally to its interest. As a result, Amaran Biotechnology Inc. decreased its share interest from 4.53% to 1.28% as of the end of December 2018. On March 8, 2019, Stellar announced that it entered into a share exchange agreement with Edesa Biotech Inc. (Edesa) to conduct a reverse merger with Edesa by exchanging six shares of Stellar for one share of Edesa, with Edesa being the surviving company. As a result, Amaran Biotechnology Inc. decreased its share interest from 1.28% to 0.15% as of the end of December 2019, and recognised loss on financial assets at fair value through profit or loss in the amount of \$148,356 for the year ended December 31, 2019.

(17) Finance costs

| | Years ended December 31, | |
|------------------|--------------------------|----------|
| | 2020 | 2019 |
| Interest expense | \$ 4,184 | \$ 3,899 |

(18) Expenses by nature

| | Years ended December 31, | |
|-----------------------------|--------------------------|---------------------|
| | 2020 | 2019 |
| Employee benefit expenses | \$ 432,999 | \$ 467,757 |
| Clinical material expenses | 211,246 | 331,096 |
| Consulting and service fees | 245,934 | 226,008 |
| Clinical trials cost | 414,114 | 246,794 |
| Rental expenses | 5,360 | 15,961 |
| Depreciation charges | 166,964 | 148,931 |
| Amortisation charges | 64,875 | 64,972 |
| Other expenses | 65,275 | 80,933 |
| Operating expenses | <u>\$ 1,606,767</u> | <u>\$ 1,582,452</u> |

(19) Employee benefit expense

| | Years ended December 31, | |
|--|--------------------------|-------------------|
| | 2020 | 2019 |
| Wages and salaries (including directors' remuneration) | \$ 305,082 | \$ 268,725 |
| Employee stock options | 76,821 | 153,928 |
| Labor and health insurance fees | 17,217 | 17,120 |
| Pension costs | 16,160 | 15,462 |
| Other personnel expenses | 17,719 | 12,522 |
| | <u>\$ 432,999</u> | <u>\$ 467,757</u> |

- A. In accordance with the Articles of Incorporation, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the abovementioned employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The term shall be defined by the Board of Directors.
- B. As of December 31, 2020, the Company had an accumulated deficit; thus, no employees' compensation and directors' and supervisors' remuneration was recognised for the years ended December 31, 2020 and 2019. Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

A. Components of income tax expense:

| | Years ended December 31, | |
|--------------------|--------------------------|-----------------|
| | 2020 | 2019 |
| Total current tax | (\$ 4,639) | (\$ 2,844) |
| Total deferred tax | 8,433 | 8,435 |
| Income tax benefit | <u>\$ 3,794</u> | <u>\$ 5,591</u> |

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

| | Years ended December 31, | |
|--|--------------------------|-------------------|
| | 2020 | 2019 |
| Tax calculated based on loss before tax and statutory tax rate | (\$ 279,380) | (\$ 286,997) |
| Expenses disallowed by tax regulation | 235 | 350 |
| Withholding income tax | 4,639 | 2,844 |
| Tax effects of unrecognised deferred tax assets | <u>270,712</u> | <u>278,212</u> |
| Income tax benefit | <u>(\$ 3,794)</u> | <u>(\$ 5,591)</u> |

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

| Year ended December 31, 2020 | | | | |
|---|------------------|------------------------------|----------------------|------------------|
| | January 1 | Recognised in profit or loss | Business combination | December 31 |
| —Deferred tax liabilities: | | | | |
| Book-tax differences on business combinations | <u>\$ 71,629</u> | <u>(\$ 8,433)</u> | <u>\$ -</u> | <u>\$ 63,196</u> |
| Year ended December 31, 2019 | | | | |
| | January 1 | Recognised in profit or loss | Business combination | December 31 |
| —Deferred tax liabilities: | | | | |
| Book-tax differences on business combinations | <u>\$ 80,064</u> | <u>(\$ 8,435)</u> | <u>\$ -</u> | <u>\$ 71,629</u> |

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

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

| December 31, 2020 | | | |
|-------------------------------------|-----------------------------------|---------------------------|---|
| <u>Qualifying items</u> | <u>Amount field/ assessed</u> | <u>Unused tax credits</u> | <u>Unrecognised deferred tax assets</u> |
| Research and development expense | \$ <u>872,272</u> | \$ <u>872,272</u> | \$ <u>872,272</u> |
| December 31, 2019 | | | |
| <u>Qualifying items</u> | <u>Amount field/ assessed</u> | <u>Unused tax credits</u> | <u>Unrecognised deferred tax assets</u> |
| Research and development expense | \$ <u>669,756</u> | \$ <u>669,756</u> | \$ <u>669,756</u> |

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

| 2020 | | | |
|-------------------------------------|-----------------------------------|---------------------------|---|
| <u>Qualifying items</u> | <u>Amount field/ assessed</u> | <u>Unused tax credits</u> | <u>Unrecognised deferred tax assets</u> |
| Research and development expense | \$ <u>346,264</u> | \$ <u>-</u> | \$ <u>-</u> |

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

- E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets for the Company, the subsidiary, AP Biosciences, Inc. and the subsidiary, Amaran Biotechnology Inc., are as follows:

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

| December 31, 2020 | | | | |
|-------------------|---------------------------|------------------|--|-------------|
| Year incurred | Amount field/ assessed | Unused amount | Unrecognised deferred tax assets | Expiry year |
| 2011 | \$ 116,457 | \$ 116,457 | \$ 116,457 | 2021 |
| 2012 | 239,902 | 239,902 | 239,902 | 2022 |
| 2013 | 405,027 | 405,027 | 405,027 | 2023 |
| 2014 | 606,286 | 606,286 | 606,286 | 2024 |
| 2015 | 981,510 | 981,510 | 981,510 | 2025 |
| 2016 | 943,536 | 943,536 | 943,536 | 2026 |
| 2017 | 1,040,320 | 1,040,320 | 1,040,320 | 2027 |
| 2018 | 1,211,688 | 1,211,688 | 1,211,688 | 2028 |
| 2019 | 1,196,669 | 1,196,669 | 1,196,669 | 2029 |
| 2020 | 1,159,787 | 1,159,787 | 1,159,787 | 2030 |

| December 31, 2019 | | | | |
|-------------------|---------------------------|------------------|--|-------------|
| Year incurred | Amount field/ assessed | Unused amount | Unrecognised deferred tax assets | Expiry year |
| 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 | 981,510 | 981,510 | 981,510 | 2025 |
| 2016 | 943,536 | 943,536 | 943,536 | 2026 |
| 2017 | 1,040,320 | 1,040,320 | 1,040,320 | 2027 |
| 2018 | 1,211,688 | 1,211,688 | 1,211,688 | 2028 |
| 2019 | 1,196,669 | 1,196,669 | 1,196,669 | 2029 |

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

| December 31, 2020 | | | | |
|-------------------|---------------------------|------------------|--|-------------|
| Year incurred | Amount field/ assessed | Unused amount | Unrecognised deferred tax assets | Expiry year |
| 2013 | \$ 8,309 | \$ - | \$ - | 2023 |
| 2014 | 22,773 | - | - | 2024 |
| 2015 | 18,959 | 9,786 | 9,786 | 2025 |
| 2016 | 27,321 | 27,321 | 27,321 | 2026 |
| 2017 | 17,032 | 17,032 | 17,032 | 2027 |
| 2018 | 25,038 | 25,038 | 25,038 | 2028 |
| 2019 | 62,699 | 62,699 | 62,699 | 2029 |

| December 31, 2019 | | | | |
|-------------------|---------------------------|------------------|--|-------------|
| Year incurred | Amount field/ assessed | Unused amount | Unrecognised deferred tax assets | Expiry year |
| 2013 | \$ 8,309 | \$ 8,309 | \$ 8,309 | 2023 |
| 2014 | 22,773 | 22,773 | 22,773 | 2024 |
| 2015 | 18,959 | 18,959 | 18,959 | 2025 |
| 2016 | 27,321 | 27,321 | 27,321 | 2026 |
| 2017 | 17,032 | 17,032 | 17,032 | 2027 |
| 2018 | 25,038 | 25,038 | 25,038 | 2028 |
| 2019 | 62,699 | 62,699 | 62,699 | 2029 |

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

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

| December 31, 2019 | | | | |
|-------------------|---------------------------|------------------|--|-------------|
| Year incurred | Amount field/ assessed | Unused amount | Unrecognised deferred tax assets | Expiry year |
| 2013 | \$ 20,042 | \$ 20,042 | \$ 20,042 | 2023 |
| 2014 | 47,575 | 47,575 | 47,575 | 2024 |
| 2015 | 70,767 | 70,767 | 70,767 | 2025 |
| 2016 | 82,758 | 82,758 | 82,758 | 2026 |
| 2017 | 119,168 | 119,168 | 119,168 | 2027 |
| 2018 | 143,583 | 143,583 | 143,583 | 2028 |
| 2019 | 124,094 | 124,094 | 124,094 | 2029 |

F. The Company's and the subsidiary's, Amaran Biotechnology Inc., income tax returns through 2018 have been assessed and approved by the Tax Authority. The subsidiary's, AP Biosciences, Inc., income tax returns through 2019 have been assessed and approved by the Tax Authority.

(21) Loss per share

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

| Years ended December 31, 2019 | | | |
|---|------------------|---|--------------------------------|
| | Amount after tax | Weighted-average number of ordinary shares outstanding (shares in thousands) | Loss per share (in dollars) |
| <u>Basic and diluted loss per share</u> | | | |
| Loss attributable to ordinary shareholders of the parent (Note 2) | (\$ 1,591,382) | 191,772 | (\$ 8.30) |

Note 1: The potential ordinary shares have anti-dilutive effect due to net loss for the years ended

December 31, 2020 and 2019, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

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

Note 3: The new shares issued due to the reorganisation were included when calculating the weighted average number of ordinary shares, and the loss per share for the year ended December 31, 2019 was calculated retrospectively.

(22) Reorganisation of entities under common control

- A. The Company's product, Adagloxad Simolenin, has entered into clinical trials. To ensure stable quality and ceaseless supply of current clinical trial drugs and those products that will be sold in the market in the future, to prepare for the inspection by the competent authority before selling the products in the market and to improve the Company's ability on the CMC manufacture and development. Thus, the Company issued 10,693 thousand shares of common share in exchange for 53,466 thousand shares of common share of Amaran Biotechnology Inc. from Amaran Biotechnology Inc.'s shareholders to acquire 67% equity interest in Amaran Biotechnology Inc. Since the Company and Amaran Biotechnology Inc. are under common control, this merger transaction is considered as a reorganisation transaction. Amaran Biotechnology Inc. was accounted for using the book value method. The difference between the book value of Amaran Biotechnology Inc. and the investment cost was adjusted in the 'capital surplus, additional paid-in capital' in the amount of \$336,764.
- B. The Company treats Amaran Biotechnology Inc. as if it had always been consolidated since the beginning and restated the 2019 consolidated financial statements. Equity held by the initial controller of the target company was classified as 'equity attributable to former owner of business combination under common control' when preparing the comparative consolidated balance sheet, and profit attributable to the initial controller of the target company was classified as 'profit attributable to former owner of business combination under common control'.

(23) Supplemental cash flow information

Investing activities with partial cash payments:

| | Years ended December 31, | |
|--|--------------------------|------------------|
| | 2020 | 2019 |
| Acquisition of property, plant and equipment | \$ 172,158 | \$ 64,841 |
| Add: Opening balance of payable | 8,024 | 1,673 |
| Less: Ending balance of payable | (13,022) | (8,024) |
| Cash paid during the year | <u>\$ 167,160</u> | <u>\$ 58,490</u> |

(24) Changes in liabilities from financing activities

| | Lease liabilities | Long-term borrowings | Liabilities from financing activities - gross |
|--|-------------------|----------------------|---|
| At January 1, 2020 | \$ 223,224 | \$ 53,000 | \$ 276,224 |
| Changes in cash flow from financing activities | (45,598) | (9,000) | (54,598) |
| Impact of changes in foreign exchange rate | 173 | - | 173 |
| Changes in other non-cash items | 14,686 | - | 14,686 |
| At December 31, 2020 | <u>\$ 192,485</u> | <u>\$ 44,000</u> | <u>\$ 236,485</u> |

| | Lease liabilities | Long-term borrowings | Liabilities from financing activities - gross |
|--|-------------------|----------------------|---|
| At January 1, 2019 | \$ 197,984 | \$ 62,000 | \$ 259,984 |
| Changes in cash flow from financing activities | (28,311) | (9,000) | (37,311) |
| Impact of changes in foreign exchange rate | (2) | - | (2) |
| Changes in other non-cash items | 53,553 | - | 53,553 |
| At December 31, 2019 | <u>\$ 223,224</u> | <u>\$ 53,000</u> | <u>\$ 276,224</u> |

7. RELATED PARTY TRANSACTIONS

(1) Name of related party and relationship

| Name of related party | Relationship with the Group |
|--|-----------------------------|
| RUENTEX ENGINEERING & CONSTRUCTION CO., LTD. | Other related party |
| Shareholder of Amaran Biotechnology Inc. | Other related party |

(2) Significant related party transactions

- A. The subsidiary, Amaran Biotechnology Inc., commissioned RUENTEX ENGINEERING & CONSTRUCTION CO., LTD. to undertake an additional construction for a total contract price of \$50,620 (tax included) in January 2020. However, the final completed price was \$38,484. The construction was completed, and the payment was made in August 2020.
- B. The Company increased its capital by issuing 10,693 thousand shares in exchange for 53,466 thousand common shares of Amaran Biotechnology Inc. to acquire a 67% equity interest in Amaran Biotechnology Inc. The transaction pertains to a reorganization. Refer to Note 6(22) for details.

(3) Key management compensation

| | Years ended December 31, | |
|---|--------------------------|-------------------|
| | 2020 | 2019 |
| Salaries and other short-term employee benefits | \$ 124,077 | \$ 105,479 |
| Share-based payments | 30,860 | 36,700 |
| | <u>\$ 154,937</u> | <u>\$ 142,179</u> |

8. PLEGDED ASSETS

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

| Pledged asset | Book value | | Purpose |
|--|----------------------|----------------------|--|
| | December 31, 2020 | December 31, 2019 | |
| Land | \$ 87,514 | \$ 87,514 | Long-term borrowings (Note 1) |
| Buildings and structures | 13,720 | 14,021 | Long-term borrowings (Note 1) |
| Buildings and structures | 236,151 | - | Short-term borrowings (Note 2) |
| Other non-current assets (refundable deposits and time deposits) | | | Duty paid after customer release, deposits for clinical trial agreement, rental deposit and letters of credit, etc. |
| | <u>48,534</u> | <u>38,108</u> | |
| | <u>\$ 385,919</u> | <u>\$ 139,643</u> | |

Note 1: The Company has entered into a mortgage contract with E. SUN Bank in 2016. The contract requires a property as collateral and the credit line is \$100 million. Please refer to Note 6(8) for details.

Note 2: The subsidiary, Amaran Biotechnology Inc., entered into a loan agreement with Mega International Commercial Bank in 2020 for a total credit facility of \$100 million, and pledged properties as collateral with line of credit guaranty to Mega International Commercial Bank.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

- (1) Pursuant to the government grants for OBI-822 (formerly OPT-822/821), therapeutically metastatic breast cancer vaccines, in Phase II / III obtained by the Company from Department of Industrial Technology of Ministry of Economic Affairs R.O.C. (MOEA) on December 25, 2012, if OBI-822 (formerly OPT-822/821) will be successfully licensed to others, the Company promises to contribute 5% of the signing bonus and achieved milestones as feedback fund and the maximum amount for feedback fund is \$150,256.
- (2) In September 2017, the Company commissioned EirGenix, Inc. to jointly develop CRM197 under an agreement. On December 13, 2018, the Company has amended the agreement with EirGenix, Inc. whereby additional tasks were included to further improve the development process. The contract

price totaled \$47,848, of which \$42,098 had been paid as of December 31, 2020.

- (3) On November 17, 2020, the subsidiary, Amaran Biotechnology Inc., entered into a construction agreement with Xuan Tong System Integration Co. Ltd. to build an aseptic plant with a total contract price of \$113,400 (tax included)

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) Please refer to Note 6(13) for details on the proposal of 2020 deficit compensation.
- (2) On February 23, 2021, the Company entered into an intellectual property rights licensing agreement of global aesthetic medicine for OBI-858, Novel Botulinum Toxin with OBIGEN PHARMA, INC. (OBIGEN PHARMA, INC.) The future clinical research and development of indication for OBI-858 aesthetic medicine will be proceeded by OBIGEN PHARMA, INC.. OBIGEN PHARMA, INC. will issue new common shares as a consideration and therefore OBIGEN PHARMA, INC. will become the Company's subsidiary.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern through maintaining an optimal capital structure to reduce the cost of capital, and to provide returns for shareholders after the Company turns around from loss to profit. In order to maintain or adjust the capital structure, the Group may increase capital by cash and sell assets to pay off or improve operating capital, adjust the amount of dividends paid to shareholders or capital reduction, etc. The Group monitors capital on the basis of the Debt/Equity ratio. The ratio is calculated by the "Net debt" divided by the "Total equity". The "Net debt" is the "Total liability" less cash and cash equivalents, and the "Total equity" is the same as the consolidated balance sheet.

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

| | December 31, 2020 | December 31, 2019 |
|---------------------------------|-------------------|-------------------|
| Total liability | \$ 502,091 | \$ 564,279 |
| Less: Cash and cash equivalents | (3,338,302) | (4,860,015) |
| Net debt | (\$ 2,836,211) | (\$ 4,295,736) |
| Total equity | \$ 4,837,759 | \$ 5,922,256 |

(2) Financial instruments

A. Financial instruments by category

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | \$ 383,531 | \$ 1,394 |
| Financial assets at fair value through other comprehensive income | 8,037 | 8,318 |
| Financial assets at amortised cost/loans and receivables | | |
| Cash and cash equivalents | 3,338,302 | 4,860,015 |
| Accounts receivable | 1,451 | 1,522 |
| Other receivables | 17,567 | 38,451 |
| Other financial assets (refundable deposits) | 48,534 | 38,276 |
| | <u>\$ 3,797,422</u> | <u>\$ 4,947,976</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | \$ 9,468 | \$ - |
| Notes payable | - | 193 |
| Accounts payable | 157 | 177 |
| Other payables (including related parties) | 189,775 | 135,650 |
| Long-term borrowings (including current portion) | 44,000 | 53,000 |
| | <u>\$ 243,400</u> | <u>\$ 189,020</u> |
| Lease liabilities | <u>\$ 192,485</u> | <u>\$ 223,224</u> |

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiaries' functional currencies: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

December 31, 2019

| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) | Sensitivity Analysis | | |
|---|---|------------------|---------------------|------------------------|-----------------------------|--|
| | | | | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 106,043 | 29.980 | \$ 3,179,169 | 1% | \$ 31,792 | \$ - |
| RMB:NTD | 45,878 | 4.305 | 197,505 | 1% | 1,975 | - |
| <u>Financial assets</u> | | | | | | |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | 2,155 | 29.980 | 64,594 | - | - | - |
| RMB:USD | 3,216 | 0.144 | 13,845 | - | - | - |
| AUD:NTD | 418 | 21.038 | 8,790 | - | - | - |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | 2,841 | 29.980 | 85,173 | 1% | 852 | - |

- v. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$124,118 and \$87,389, respectively.

Price risk

- The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the year ended December 31, 2020 would have increased/decreased by \$3,057, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity for the years ended December 31, 2020 and 2019 would have increased/decreased by \$80 and \$83, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which

is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings were calculated by floating rate and stated at New Taiwan Dollars for the years ended December 31, 2020 and 2019.

- ii. At December 31, 2020 and 2019, if interest rates had been 1% higher or lower with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have been \$423 and \$457 lower or higher, respectively, mainly as a result of changes in interest expense on floating rate borrowings.

(b) Credit risk

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

- vii. When estimating the allowance for uncollectible accounts for receivables, the Group incorporates forward-looking information in the adjustment of the loss rate, which is calculated based on historical data from specific periods and current information. As of December 31, 2020 and 2019, the expected loss rate of the Group's accounts receivable that are not past due is immaterial.

(c) Liquidity risk

- i. Cash flow forecasting is performed by Group treasury to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational and R&D needs. Such forecasting is in compliance with internal R&D project schedule targets.
- ii. Group treasury invests surplus cash in interest bearing current deposits, time deposits, and foreign currency deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | December 31, 2020 | | | | |
|---|---------------------|-----------------------------|-----------------------------|-----------------------------|-----------------|
| | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years | Over 5 years |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowings | \$ 9,468 | \$ - | \$ - | \$ - | \$ - |
| Accounts payable | 157 | - | - | - | - |
| Other payables | 189,775 | - | - | - | - |
| Long-term borrowings (including current portion) | 9,520 | 7,415 | 7,322 | 14,365 | 7,043 |
| Lease liabilities (including current portion) | 39,658 | 22,519 | 20,610 | 35,436 | 96,992 |

| | December 31, 2019 | | | | |
|--|---------------------|-----------------------------|-----------------------------|-----------------------------|-----------------|
| | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years | Over 5 years |
| Non-derivative financial liabilities: | | | | | |
| Other payables (including related parties) | \$ 135,650 | \$ - | \$ - | \$ - | \$ - |
| Long-term borrowings (including current portion) | 9,770 | 9,626 | 7,499 | 14,663 | 14,214 |
| Lease liabilities (including current portion) | 44,746 | 34,444 | 17,278 | 39,472 | 112,692 |

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in financial assets at fair value through other comprehensive income is included in Level 3.

- B. The carrying amount of financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables and other payables (including those to related parties)) is a reasonable approximation to their fair value; the interest rate on long-term borrowings (including the portion due within a year or one operating cycle) is close to the market interest rate, therefore their carrying amount is a reasonable basis for the estimation of their fair value.
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

| December 31, 2020 | | | | |
|---|-------------------|-------------|-----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Domestic listed and over-the-counter stocks | \$ 105,726 | \$ - | \$ - | \$ 105,726 |
| Domestic open-end fund | 276,433 | - | - | 276,433 |
| Foreign listed stocks | 1,372 | - | - | 1,372 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 8,037 | 8,037 |
| | <u>\$ 383,531</u> | <u>\$ -</u> | <u>\$ 8,037</u> | <u>\$ 391,568</u> |
| December 31, 2019 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Foreign listed stocks | \$ 1,394 | \$ - | \$ - | \$ 1,394 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 8,318 | 8,318 |
| | <u>\$ 1,394</u> | <u>\$ -</u> | <u>\$ 8,318</u> | <u>\$ 9,712</u> |

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

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

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

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

F. The following is the qualitative information on significant unobservable inputs and sensitivity

analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | <u>Fair value at December 31, 2020</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (median)</u> | <u>Relationship of inputs to fair value</u> |
|--------------------------------------|--|-----------------------------------|---|----------------------------|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | <u>\$ 8,037</u> | Market comparable companies | Price to book ratio multiple | 1.43~4.19 (2.26) | The higher the multiple, the higher the fair value |
| | | | Discount for lack of marketability | 26.27%~ 68.19% (45%) | The higher the discount for lack of marketability, the lower the fair value |
| | <u>Fair value at December 31, 2019</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (median)</u> | <u>Relationship of inputs to fair value</u> |
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | <u>\$ 8,318</u> | Market comparable companies | Price to book ratio multiple | 1.09~3.26 (1.75) | The higher the multiple, the higher the fair value |
| | | | Discount for lack of marketability | 8.44%~47.77% (21%) | The higher the discount for lack of marketability, the lower the fair value |

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

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

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

H. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

| | | | Equity securities | |
|--|--|--|--------------------------|----------|
| | | | Years ended December 31, | |
| | | | 2020 | 2019 |
| Opening net book amount | | | \$ 8,318 | \$ 7,454 |
| (Loss) profit recognised in other comprehensive income | | | (281) | 864 |
| Closing net book amount | | | \$ 8,037 | \$ 8,318 |

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

(4) Impact of COVID-19

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry, new drug research. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

- A. The Chief Operating Decision-Maker evaluates the performance of the operating segments based on income before tax. The significant accounting policies and estimates of the operating segment and the accounting policies, estimates and assumptions described in Notes 4 and 5 of the consolidated financial statements are the same.
- B. The financial information reported to the Chief Operating Decision-Maker and the financial information on the consolidated statements of comprehensive income are the same.

(3) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

| | Years ended December 31, | | | |
|--------|--------------------------|---------------------|-----------------|---------------------|
| | 2020 | | 2019 | |
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Taiwan | \$ 3,326 | \$ 1,372,564 | \$ 5,586 | \$ 1,411,888 |
| Others | 137,560 | 15,903 | - | 3,046 |
| | <u>\$ 140,886</u> | <u>\$ 1,388,467</u> | <u>\$ 5,586</u> | <u>\$ 1,414,934</u> |

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

(4) Important customer information

In 2020 and 2019, the Group's revenues to a single customer accounting for more than 10% of consolidated operating income is as follows:

| | 2020 | | 2019 | |
|-----------|------------|----------|---------|----------|
| | Revenue | Division | Revenue | Division |
| Company A | \$ 137,560 | Taiwan | \$ - | - |
| Company B | 1,489 | Taiwan | 872 | Taiwan |

OBI Pharma, Inc. and Subsidiaries
Loans to others
Year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

| No. | Creditor | Borrower | Is a related party | General ledger account | Maximum outstanding balance during the year ended December 31, 2020 | Balance at December 31, 2020 | Actual amount drawn down | Interest rate | Nature of loan (Note 2) | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party | Ceiling on total loans granted | Footnote |
|-----|------------------|-------------------------------|--------------------|---------------------------------|---|------------------------------|--------------------------|---------------|-------------------------|--|---------------------------------|---------------------------------|------------|-------|--|--------------------------------|----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | OBI Pharma, Inc. | OBI Pharma (Shanghai) Limited | Y | Other receivables-related party | \$ 17,658 | \$ 17,658 | \$ 1,507 | 1.6% | 2 | \$ - | Working capital | \$ - | - | \$ - | \$ 422,902 | \$ 1,691,609 | |

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

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

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

OBI Pharma, Inc. and Subsidiaries

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

December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2020 | | | | Footnote |
|---------------------------|--|---|---|-------------------------|------------|-----------|------------|----------|
| | | | | Number of shares | Book value | Ownership | Fair value | |
| OBI Pharma, Inc. | Stock - Agnitio Science & Technology Inc. | None | Financial assets at fair value through other comprehensive income - non-current | 867,018 | \$ 8,037 | 3.27% | \$ 8,037 | None |
| " | Stock - YAGEO CORPORATION | " | Financial assets at fair value through profit or loss - current | 14,000 | 7,252 | 0.00% | 7,252 | " |
| " | Stock - Taiwan Semiconductor Manufacturing Company Limited | " | " | 50,000 | 26,500 | 0.00% | 26,500 | " |
| " | Stock - AU OPTRONICS CORP. | " | " | 468,000 | 6,552 | 0.00% | 6,552 | " |
| " | Stock - TSEC CORPORATION | " | " | 94,000 | 3,925 | 0.02% | 3,925 | " |
| " | Stock - MEDIATEK INC. | " | " | 13,000 | 9,711 | 0.00% | 9,711 | " |
| " | Stock - INNOLUX CORPORATION | " | " | 480,000 | 6,768 | 0.00% | 6,768 | " |
| " | Stock - TAIWAN SEMICONDUCTOR CO., LTD. | " | " | 110,000 | 6,842 | 0.04% | 6,842 | " |
| " | Stock - SINO-AMERICAN SILICON PRODUCTS INC. | " | " | 42,000 | 7,455 | 0.01% | 7,455 | " |
| " | Stock - WAFER WORKS CORPORATION | " | " | 110,000 | 4,708 | 0.02% | 4,708 | " |
| " | Stock - UNITED MICROELECTRONICS CORP. | " | " | 250,000 | 11,787 | 0.00% | 11,787 | " |
| " | Stock - WALSIN TECHNOLOGY CORP. | " | " | 31,000 | 7,146 | 0.01% | 7,146 | " |
| " | Stock - GLOBALWAFERS CO., LTD. | " | " | 10,000 | 7,080 | 0.00% | 7,080 | " |
| " | Beneficiary certificate - Fuh Hwa Global Short-term Income Fund | " | " | 3,621,622 | 44,623 | - | 44,623 | " |
| " | Beneficiary certificate - Fuh Hwa Global Bond Fund | " | " | 1,296,110 | 20,530 | - | 20,530 | " |
| " | Beneficiary certificate - Fuh Hwa Emerging Market Short-term Income Fund | " | " | 12,588,612 | 148,168 | - | 148,168 | " |
| " | Beneficiary certificate - Fuh Hwa Emerging Market High Yield Bond Fund A | " | " | 6,224,066 | 63,112 | - | 63,112 | " |
| Amaran Biotechnology Inc. | Edesa Biotech, Inc./private placement common stocks | " | " | 11,338 | 1,372 | - | 1,372 | " |

OBI Pharma, Inc. and Subsidiaries

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

Year ended December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| | | | | | Balance as at January 1, 2020 | | Addition | | Disposal | | | | Balance as at December 31, 2020 | | |
|------------------|--|---|---|--------------------------------|-------------------------------|--------|------------------|------------|------------------|---------------|------------|-------------------------|---------------------------------|------------|----------|
| Investor | Marketable securities | General ledger account | Counterparty | Relationship with the investor | Number of shares | Amount | Number of shares | Amount | Number of shares | Selling price | Book value | Gain (loss) on disposal | Number of shares | Amount | Footnote |
| OBI Pharma, Inc. | Common stock - Amaran Biotechnology Inc. | Investments accounted for using the equity method | Stockholders of Amaran Biotechnology Inc. | Subsidiary | - | \$ - | 53,466,000 | \$ 389,865 | - | \$ - | \$ - | \$ - | 53,466,000 | \$ 389,865 | Note 1 |

Note 1: Amaran Biotechnology Inc. became a subsidiary of the Company since December 31, 2020.

OBI Pharma, Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|---------------------------|------------------|--------------------------|------------------------|-----------|-------------------|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 1 | OBI Pharma USA, Inc. | OBI Pharma, Inc. | 2 | Accounts receivable | \$ 37,078 | (Note 4) | 0.69% |
| 1 | " | " | " | Service revenue | 152,571 | " | 108.29% |
| 2 | Amaran Biotechnology Inc. | " | " | CMO revenue | 25,325 | (Note 5) | 17.98% |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

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

Note 5: Amaran Biotechnology Inc. became a subsidiary of the Company since December 31, 2020.

Note 6: The Company may decide to disclose or not to disclose transaction details in this table based on the materiality principle.

OBI Pharma, Inc. and Subsidiaries
Information on investees
Year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2020 | | | Net profit (loss) of the investee for the year ended December 31, 2020 | Investment income (loss) recognised by the Company for the year ended December 31, 2020 | Footnote |
|------------------|-------------------------------|-----------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|----------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| OBI Pharma, Inc. | AP Biosciences, Inc. | Taiwan | Research and development of biotechnology | \$ 640,035 | \$ 350,075 | 13,312,000 | 58.99 | \$ 589,510 | \$ 41,745 | \$ 1,159 | Note 2 |
| " | Amaran Biotechnology Inc. | Taiwan | Manufacture and wholesale of western pharmaceuticals as well as research and development of biotechnology | 389,865 | - | 53,466,000 | 67.00 | 389,865 | (118,813) | (79,605) | " |
| " | OBI Pharma Australia Pty Ltd. | Australia | Research and development of biotechnology | 233,768 | 14,270 | 10,650,000 | 100.00 | 117,639 | (103,247) | (103,247) | " |
| " | OBI Pharma USA, Inc. | USA | Research and development of biotechnology | 76,896 | 76,896 | 2,701,000 | 100.00 | 51,101 | (10,572) | (10,572) | " |
| " | OBI Pharma Limited | Hong Kong | Investments and trading | 61,232 | 46,992 | 2,150,000 | 100.00 | 8,596 | (20,241) | (20,241) | " |

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

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

OBI Pharma, Inc. and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of investee for the year ended December 31, 2020 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2) | Book value of investments in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 | Footnote |
|-------------------------------|---|-----------------|-------------------|--|---|-------------------------|--|---|--|--|---|---|----------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| OBI Pharma (Shanghai) Limited | Research and development of biotechnology | \$ 56,960 | Note 1 | \$ 42,720 | 14,240 | - | \$ 56,960 | (\$ 20,162) | 100.00 | (\$ 20,162) | \$ 7,537 | - | |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 2) | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|------------------|---|--|---|
| OBI Pharma, Inc. | \$ 56,960 | \$ 56,960 | \$ 2,537,413 |

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

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

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

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

OBI Pharma, Inc. and Subsidiaries

Major shareholders information

December 31, 2020

Table 7

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

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

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

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

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

Note 5: Total number of shares in dematerialised form (including treasury shares) amounted to 199,279,374 shares = 199,279,374 (common shares) + 0 (preference shares).