

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2021 AND 2020

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of OBI PHARMA, INC. and subsidiaries (the "Group") as at June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the related consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

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

Basis for qualified conclusion of consolidated financial statements for the six months ended June 30, 2020

As explained in Note 4(3), the Company increased its capital by issuing new shares to acquire shares of Amaran Biotechnology Inc. 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 and the Group retrospectively restated the consolidated financial statements for the six months ended June 30, 2020. However, the financial statements of Amaran Biotechnology Inc. were not reviewed by independent auditors. Total assets of the subsidiary amounted to NT\$811,510 thousand, constituting 14% of the consolidated total assets as at June 30, 2020, total liabilities amounted to NT\$151,054 thousand, constituting 29% of the consolidated total liabilities as at June 30, 2020, and the total comprehensive loss amounted to (NT\$32,352) thousand and (NT\$66,567) thousand, both constituting 10% of the consolidated total comprehensive loss for the three months and

six months then ended, respectively.

Unqualified conclusion for the six months ended June 30, 2021 and qualified conclusion for the six months ended June 30, 2020

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of Amaran Biotechnology Inc. for the six months ended June 30, 2020 been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Emphasis of matter

The Company acquired a 67% equity interest in Amaran Biotechnology Inc. on December 31, 2020 and included it as a consolidated entity. As the equity 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 prior period consolidated financial statements when preparing the Group’s consolidated financial statements for the six months ended June 30, 2021. Refer to Note 6(22) to the consolidated financial statements for details.

David Teng

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

August 6, 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 independent auditors’ report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

							(Adjusted)	
			June 30, 2021		December 31, 2020		June 30, 2020	
Assets		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,564,195	68	\$ 3,338,302	63	\$ 3,838,227	65
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		1,668	-	383,531	7	363,332	6
1170	Accounts receivable, net		8,103	-	1,451	-	554	-
1200	Other receivables		13,159	1	17,567	-	26,233	-
130X	Inventories		9,274	-	7,358	-	4,965	-
1410	Prepayments		152,000	3	146,603	3	148,170	3
11XX	Total current assets		3,748,399	72	3,894,812	73	4,381,481	74
Non-current assets								
1517	Financial assets at fair value	6(3)						
	through other comprehensive							
	income - non-current		8,514	-	8,037	-	10,467	-
1600	Property, plant and equipment, net	6(4) and 7	738,563	14	731,193	14	746,594	13
1755	Right-of-use assets	6(5)	218,004	4	187,027	3	210,545	3
1780	Intangible assets, net	6(6)	424,908	8	453,881	9	484,614	8
1900	Other non-current assets	8	84,682	2	64,900	1	104,171	2
15XX	Total non-current assets		1,474,671	28	1,445,038	27	1,556,391	26
1XXX	Total assets		\$ 5,223,070	100	\$ 5,339,850	100	\$ 5,937,872	100

(Continued)

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

								(Adjusted)			
Liabilities and Equity		Notes	June 30, 2021		December 31, 2020		June 30, 2020				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Current liabilities											
2100	Current borrowings	6(7)	\$	9,468	-	\$	9,468	-	\$	42,068	1
2130	Current contract liabilities	6(14)		1,661	-		-	-		19,410	-
2150	Notes payable			364	-		-	-		-	-
2170	Accounts payable			331	-		157	-		1,076	-
2200	Other payables			52,300	1		189,775	3		57,119	1
2230	Current income tax liabilities			506	-		1,112	-		939	-
2280	Current lease liabilities			30,353	1		37,078	1		45,806	1
2320	Long-term liabilities, current portion	6(8)		8,000	-		9,000	-		9,000	-
2399	Other current liabilities			2,229	-		1,898	-		2,262	-
21XX	Total current liabilities			105,212	2		248,488	4		177,680	3
Non-current liabilities											
2527	Non-current contract liabilities	6(14)		-	-		-	-		58,230	1
2540	Long-term borrowings	6(8)		31,500	-		35,000	1		39,500	1
2570	Deferred income tax liabilities			58,979	1		63,196	1		67,413	1
2580	Non-current lease liabilities			194,188	4		155,407	3		169,450	3
25XX	Total non-current liabilities			284,667	5		253,603	5		334,593	6
2XXX	Total liabilities			389,879	7		502,091	9		512,273	9
Equity attributable to owners of parent											
	Share capital	6(11)									
3110	Common stock			1,992,794	38		1,992,794	37		1,882,287	32
	Capital surplus	6(10)(12)									
3200	Capital surplus			3,672,570	71		3,684,782	69		3,276,562	55
	Accumulated deficit	6(13)									
3350	Accumulated deficit		(	2,025,029)	(39)	(	1,377,935)	(26)	(	628,404)	(11)
3400	Other equity interest	6(3)	(	22,194)	-	(	16,788)	-	(	16,469)	-
3500	Treasury shares		(	46,002)	(1)	(	53,831)	(1)		-	-
31XX	Equity attributable to owners of the parent			3,572,139	69		4,229,022	79		4,513,976	76
35XX	Equity attributable to former owner of business combination under common control			-	-		-	-		411,897	7
36XX	Non-controlling interest	4(3)		1,261,052	24		608,737	12		499,726	8
3XXX	Total equity			4,833,191	93		4,837,759	91		5,425,599	91
	Significant Contingent Liabilities and Unrecognised Contract Commitments	6(6) and 9									
	Significant Events after the Balance Sheet Date	11									
3X2X	Total liabilities and equity		\$	5,223,070	100	\$	5,339,850	100	\$	5,937,872	100

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2021		2020 (Adjusted)		2021		2020 (Adjusted)	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(14)	\$ 9,016	2	\$ 60,200	18	\$ 13,476	2	\$ 60,492	9
5000 Operating costs		(12,395)	(3)	(47)	-	(23,923)	(3)	(117)	-
5900 Gross (loss) profit		(3,379)	(1)	60,153	18	(10,447)	(1)	60,375	9
Operating expenses	6(4)(5)(6)(9)(10)(18)(19) and 7								
6200 Administrative expenses		(69,951)	(15)	(72,086)	(21)	(131,578)	(18)	(136,483)	(20)
6300 Research and development expenses		(358,719)	(77)	(300,798)	(89)	(572,914)	(79)	(640,335)	(92)
6000 Total operating expenses		(428,670)	(92)	(372,884)	(110)	(704,492)	(97)	(776,818)	(112)
6900 Operating loss		(432,049)	(93)	(312,731)	(92)	(714,939)	(98)	(716,443)	(103)
Non-operating income and expenses									
7100 Interest income	6(15)	1,502	1	14,728	4	3,303	-	36,256	5
7010 Other income		1,092	-	2,484	1	1,502	-	2,519	-
7020 Other gains and losses	6(16)	(36,424)	(8)	(42,575)	(13)	(15,773)	(2)	(17,210)	(2)
7050 Finance costs	6(17)	(823)	-	(1,117)	-	(1,626)	-	(2,205)	-
7000 Total non-operating income and expenses		(34,653)	(7)	(26,480)	(8)	(12,594)	(2)	19,360	3
7900 Loss before tax		(466,702)	(100)	(339,211)	(100)	(727,533)	(100)	(697,083)	(100)
7950 Income tax benefit	6(20)	602	-	1,138	1	1,510	-	2,217	-
8200 Loss for the period		(\$ 466,100)	(100)	(\$ 338,073)	(99)	(\$ 726,023)	(100)	(\$ 694,866)	(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)	(\$ 647)	-	(\$ 169)	-	\$ 477	-	\$ 2,149	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		(4,753)	(1)	4,466	1	(5,883)	(1)	3,774	1
8300 Other comprehensive income (loss) for the period, net		(\$ 5,400)	(1)	\$ 4,297	1	(\$ 5,406)	(1)	\$ 5,923	1
8500 Total comprehensive loss for the period		(\$ 471,500)	(101)	(\$ 333,776)	(98)	(\$ 731,429)	(101)	(\$ 688,943)	(99)
Loss attributable to:									
8610 Owners of the parent		(\$ 415,797)	(89)	(\$ 314,523)	(92)	(\$ 647,094)	(89)	(\$ 628,404)	(90)
8615 Former owner of business combination under common control		-	-	(21,676)	(6)	-	-	(44,600)	(7)
8620 Non-controlling interest		(50,303)	(11)	(1,874)	(1)	(78,929)	(11)	(21,862)	(3)
Total		(\$ 466,100)	(100)	(\$ 338,073)	(99)	(\$ 726,023)	(100)	(\$ 694,866)	(100)
Comprehensive loss attributable to:									
8710 Owners of the parent		(\$ 421,197)	(90)	(\$ 310,226)	(91)	(\$ 652,500)	(90)	(\$ 622,481)	(90)
8715 Former owner of business combination under common control		-	-	(21,676)	(6)	-	-	(44,600)	(6)
8720 Non-controlling interest		(50,303)	(11)	(1,874)	(1)	(78,929)	(11)	(21,862)	(3)
Total		(\$ 471,500)	(101)	(\$ 333,776)	(98)	(\$ 731,429)	(101)	(\$ 688,943)	(99)
Loss per share (in dollars)									
9750 Basic and diluted loss per share	6(21)	(\$ 2.09)		(\$ 1.69)		(\$ 3.25)		(\$ 3.39)	

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

OBI PHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
Notes	Capital surplus					Other equity interest				Equity attributable to former owner of business combination under common control	Non-controlling interest	Total equity
	Share capital - common stock	Additional paid in capital	Employee stock options	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total			
<u>Six months ended June 30, 2020 (Adjusted)</u>												
Balance at January 1, 2020	\$ 1,881,287	\$ 10,127,077	\$ 1,159,405	\$ 218,505	(\$ 8,259,036)	(\$ 3,529)	(\$ 18,863)	\$ -	\$ 5,104,846	\$ 452,434	\$ 364,976	\$ 5,922,256
Net loss for the period	-	-	-	-	(628,404)	-	-	-	(628,404)	(44,600)	(21,862)	(694,866)
Other comprehensive income for the period	-	-	-	-	-	3,774	2,149	-	5,923	-	-	5,923
Total comprehensive income (loss) for the period	-	-	-	-	(628,404)	3,774	2,149	-	(622,481)	(44,600)	(21,862)	(688,943)
Capital surplus used to offset against accumulated deficit	-	(8,259,036)	-	-	8,259,036	-	-	-	-	-	-	-
Share-based payment transactions 6(10)(12)(19)	1,000	321	19,418	10,872	-	-	-	-	31,611	4,063	6,612	42,286
Subsidiary increases capital and issues new shares	-	-	-	-	-	-	-	-	-	-	150,000	150,000
Balance at June 30, 2020	\$ 1,882,287	\$ 1,868,362	\$ 1,178,823	\$ 229,377	(\$ 628,404)	\$ 245	(\$ 16,714)	\$ -	\$ 4,513,976	\$ 411,897	\$ 499,726	\$ 5,425,599
<u>Six months ended June 30, 2021</u>												
Balance at January 1, 2021	\$ 1,992,794	\$ 2,206,273	\$ 1,196,428	\$ 282,081	(\$ 1,377,935)	\$ 2,356	(\$ 19,144)	(\$ 53,831)	\$ 4,229,022	\$ -	\$ 608,737	\$ 4,837,759
Net loss for the period	-	-	-	-	(647,094)	-	-	-	(647,094)	-	(78,929)	(726,023)
Other comprehensive income (loss) for the period	-	-	-	-	-	(5,883)	477	-	(5,406)	-	-	(5,406)
Total comprehensive income (loss) for the period	-	-	-	-	(647,094)	(5,883)	477	-	(652,500)	-	(78,929)	(731,429)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	473,370	473,370
Share-based payment transactions 6(10)(12)(19)	-	-	13,992	7,506	-	-	-	-	21,498	-	1,231	22,729
Forfeiture of share options issued by a subsidiary	-	-	-	569	-	-	-	-	569	-	(569)	-
Changes in non-controlling interest - effect of subsidiary's issuance of common stock for cash (Note)	-	-	-	(35,125)	-	-	-	(2,415)	(37,540)	-	37,540	-
Disposal of the Company's shares by subsidiaries recognised as treasury share transactions	-	-	-	846	-	-	-	10,244	11,090	-	5,902	16,992
Subsidiary increases capital and issues new shares	-	-	-	-	-	-	-	-	-	-	213,770	213,770
Balance at June 30, 2021	\$ 1,992,794	\$ 2,206,273	\$ 1,210,420	\$ 255,877	(\$ 2,025,029)	(\$ 3,527)	(\$ 18,667)	(\$ 46,002)	\$ 3,572,139	\$ -	\$ 1,261,052	\$ 4,833,191

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
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Six months ended June 30	
	Notes	2021	2020 (Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 727,533)	(\$ 697,083)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(4)(5)	78,336	85,566
Amortisation	6(6)	29,542	32,509
Interest expense	6(17)	1,626	2,205
Interest income	6(15)	(3,303)	(36,256)
Dividend income		(80)	-
Gains on financial assets at fair value through profit or loss	6(2)	(274)	(9,487)
Compensation cost for share-based payment transactions	6(10)	22,729	41,286
Prepaid equipment transferred to expense		-	1,051
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss	6(2)	382,137	(352,451)
Accounts receivable, net		(6,652)	968
Inventories		(1,916)	(765)
Other receivables		4,260	12,218
Prepayments		(5,397)	(28,745)
Changes in operating liabilities			
Notes payable		364	(193)
Accounts payable		174	899
Contract liabilities	6(14)	1,661	-
Other payables		(137,818)	(73,410)
Other current liabilities		331	354
Cash outflow generated from operations		(361,813)	(1,021,334)
Interest received		3,451	36,256
Dividends received		80	-
Income tax paid		(3,313)	(1,919)
Interest paid		(1,626)	(2,205)
Net cash flows used in operating activities		(363,221)	(989,202)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(23)	(57,660)	(135,995)
Acquisition of intangible assets	6(6)	(569)	(1,331)
(Increase) decrease in prepayments for business facilities		(19,191)	837
Increase in refundable deposits		(4,252)	(66,090)
Cash acquired from acquisition of subsidiaries	4(3)	472,651	-
Net cash flows from (used in) investing activities		390,979	(202,579)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of employee stock options	6(10)	-	1,000
Repayment of lease principal	6(5)(24)	(23,212)	(22,349)
Short-term borrowings	6(7)(24)	-	42,068
Repayment of long-term debt	6(8)(24)	(4,500)	(4,500)
Increase in capital and issuance of new shares by the subsidiary		213,770	150,000
Disposal of the shares of parent company held by the subsidiary		16,992	-
Net cash flows from financing activities		203,050	166,219
Effects due to changes in exchange rate		(4,915)	3,774
Net increase (decrease) in cash and cash equivalents		225,893	(1,021,788)
Cash and cash equivalents at beginning of period		3,338,302	4,860,015
Cash and cash equivalents at end of period		\$ 3,564,195	\$ 3,838,227

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

OBI PHARMA, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(Amounts presented as of and for the six months ended June 30, 2020 are adjusted amount)
(UNAUDITED)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on August 6, 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 2021 are as follows:

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

Note: Earlier application from January 1, 2021 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

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

(3) Basis of consolidation

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

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

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2021	December 31, 2020	June 30, 2020	
The Company	OBI Pharma Limited	Investing and trading	100.00	100.00	100.00	
The Company	OBI Pharma USA, Inc.	Biotechnology development	100.00	100.00	100.00	
The Company	AP Biosciences, Inc.	Biotechnology development	54.62	58.99	67.00	Note 1
The Company	OBI Pharma Australia Pty Ltd.	Biotechnology development	100.00	100.00	100.00	
The Company	Amaran Biotechnology Inc.	Manufacture and wholesale of western pharmaceuticals as well as research and development of biotechnology	70.72	67.00	-	Notes 2 and 4
The Company	OBIGEN PHARMA, INC.	Biotechnology development	62.17	-	-	Note 3
OBI Pharma Limited	OBI Pharma (Shanghai) Limited	Biotechnology development	100.00	100.00	100.00	

Note 1: The subsidiary, AP Biosciences, Inc., increased its capital by issuing 10,566 thousand and 1,808 thousand new shares as resolved by the Board of Directors during its meeting on October 23, 2020 and January 22, 2021, respectively. However, as the Company did not acquire shares proportionally to its interest, the Company's shareholding ratio decreased to 58.99% and 54.62% as of December 31, 2020 and June 30, 2021, respectively.

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

Note 3: On February 23, 2021, the Company entered into an intellectual property rights licensing agreement of global aesthetic medicine for OBI-858, Novel Botulinum Toxin, with OBIGEN PHARMA, INC. The future clinical research and development of indication

for OBI-858 aesthetic medicine will be proceeded by OBIGEN PHARMA, INC. OBIGEN PHARMA, INC. increased its capital by issuing 47,250 thousand new shares as a consideration to the Company. As a result, OBIGEN PHARMA, INC., became a subsidiary controlled by the Company with 62.17% equity interest.

Note 4: On March 4, 2021, the Board of Directors of Amaran Biotechnology Inc. resolved to issue 12,000 thousand new shares. The Company subscribed to the capital increase in the amount of \$286,231, thereby increasing its shareholding ratio to 70.72%.

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

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

E. Significant restrictions: None.

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

As of June 30, 2021, December 31, 2020 and June 30, 2020, the non-controlling interest amounted to \$1,261,052, \$608,737 and \$499,726, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest						Description
		June 30, 2021		December 31, 2020		June 30, 2020		
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)	
AP Biosciences, Inc.	Taiwan	\$ 408,032	45.38%	\$ 367,284	41.01%	\$ 250,563	33.00%	
Amaran Biotechnology Inc.	Taiwan	294,921	29.28%	241,453	33.00%	249,163	33.00%	Note
OBIGEN PHARMA, INC.	Taiwan	558,099	37.83%	-	-	-	-	

Note: Shares of the Company held by Amaran Biotechnology Inc. are treated as treasury shares. Thus, the non-controlling interest as of June 30, 2021, December 31, 2020 and June 30, 2020 decreased by \$19,050, \$26,511 and \$30,716, respectively.

Summarised financial information of the subsidiaries:

Balance sheet

	AP Biosciences, Inc.		
	June 30, 2021	December 31, 2020	June 30, 2020
Current assets	\$ 652,871	\$ 632,254	\$ 537,068
Non-current assets	313,938	335,750	358,584
Current liabilities	(8,771)	(9,162)	(25,312)
Non-current liabilities	(58,979)	(63,196)	(125,643)
Total net assets	<u>\$ 899,059</u>	<u>\$ 895,646</u>	<u>\$ 744,697</u>

	Amaran Biotechnology Inc.		
	June 30, 2021	December 31, 2020	June 30, 2020
Current assets	\$ 375,742	\$ 133,925	\$ 153,777
Non-current assets	642,544	625,395	658,364
Current liabilities	(38,521)	(34,940)	(56,788)
Non-current liabilities	(91,714)	(93,060)	(94,293)
Total net assets	<u>\$ 888,051</u>	<u>\$ 631,320</u>	<u>\$ 661,060</u>

	OBIGEN PHARMA, INC.	
	June 30, 2021	
Current assets	\$ 585,604	
Non-current assets	947,372	
Current liabilities	(7,962)	
Non-current liabilities	(47,010)	
Total net assets	<u>\$ 1,478,004</u>	

Statement of comprehensive income

	AP Biosciences, Inc.	
	Three months ended June 30,	
	2021	2020
Revenue	\$ 6,993	\$ 59,920
(Loss) profit before tax	(63,557)	24,564
Income tax benefit	2,109	2,109
(Loss) profit for the period	(61,448)	26,673
Other comprehensive loss	-	-
Total comprehensive (loss) income for the period	<u>(\$ 61,448)</u>	<u>\$ 26,673</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 27,888)</u>	<u>\$ 8,801</u>

AP Biosciences, Inc.		
Six months ended June 30,		
	2021	2020
Revenue	\$ 6,993	\$ 59,920
Loss before tax	(102,053)	(3,899)
Income tax benefit	4,217	4,217
(Loss) profit for the period	(97,836)	318
Other comprehensive loss	-	-
Total comprehensive (loss) income for the period	(\$ 97,836)	\$ 318
Comprehensive (loss) income attributable to non-controlling interest	(\$ 43,790)	\$ 105

Amaran Biotechnology Inc.		
Three months ended June 30,		
	2021	2020
Revenue	\$ 1,615	\$ 13
Loss before tax	(50,170)	(32,352)
Income tax benefit	-	-
Loss for the period	(50,170)	(32,352)
Other comprehensive loss	-	-
Total comprehensive loss for the period	(\$ 50,170)	(\$ 32,352)
Comprehensive loss attributable to non-controlling interest	(\$ 10,382)	(\$ 10,675)

Amaran Biotechnology Inc.		
Six months ended June 30,		
	2021	2020
Revenue	\$ 5,764	\$ 26
Loss before tax	(71,175)	(66,567)
Income tax benefit	-	-
Loss for the period	(71,175)	(66,567)
Other comprehensive loss	-	-
Total comprehensive loss for the period	(\$ 71,175)	(\$ 66,567)
Comprehensive loss attributable to non-controlling interest	(\$ 19,868)	(\$ 21,967)

	OBIGEN PHARMA, INC.
	Three months ended June 30, 2021
Revenue	\$ -
Loss before tax	(31,808)
Income tax benefit	-
Loss for the period	(31,808)
Other comprehensive loss	-
Total comprehensive loss for the period	(\$ 31,808)
Comprehensive loss attributable to non-controlling interest	(\$ 12,033)

	OBIGEN PHARMA, INC.
	Period from February 23, 2021 to June 30, 2021
Revenue	\$ -
Loss before tax	(40,365)
Income tax benefit	-
Loss for the period	(40,365)
Other comprehensive loss	-
Total comprehensive loss for the period	(\$ 40,365)
Comprehensive loss attributable to non-controlling interest	(\$ 15,271)

Statements of cash flows

	AP Biosciences, Inc.	
	Six months ended June 30,	
	2021	2020
Net cash (used in) provided by operating activities	(\$ 85,480)	\$ 27,341
Net cash used in investing activities	(3,760)	(4,539)
Net cash provided by financing activities	100,000	439,960
Net increase in cash and cash equivalents	10,760	462,762
Cash and cash equivalents at beginning of period	630,724	73,963
Cash and cash equivalents at end of period	\$ 641,484	\$ 536,725

	Amaran Biotechnology Inc.	
	Six months ended June 30,	
	2021	2020
Net cash used in operating activities	(\$ 18,276)	(\$ 94,066)
Net cash used in investing activities	(35,599)	(118,396)
Net cash provided by financing activities	300,000	42,068
Net increase (decrease) in cash and cash equivalents	246,125	(170,394)
Cash and cash equivalents at beginning of period	114,918	308,901
Cash and cash equivalents at end of period	<u>\$ 361,043</u>	<u>\$ 138,507</u>

	OBIGEN PHARMA, INC.	
	Period from February 23, 2021 to June 30, 2021	
Net cash used in operating activities	(\$ 27,315)	
Net cash used in investing activities	(6,954)	
Net cash provided by financing activities	255,820	
Net increase in cash and cash equivalents	221,551	
Cash and cash equivalents at beginning of period	317,550	
Cash and cash equivalents at end of period	<u>\$ 539,101</u>	

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and

liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains and losses”.

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

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

Otherwise, they are classified as non-current assets.

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

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

Otherwise, they are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known

amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

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

(8) 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 and notes payable

Accounts and notes 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 and notes 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.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

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

(2) Impairment assessment of goodwill

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash on hand	\$ 262	\$ 162	\$ 204
Checking accounts and demand deposits	1,561,576	1,289,589	679,210
Time deposits	2,002,357	2,048,551	3,158,813
	<u>\$ 3,564,195</u>	<u>\$ 3,338,302</u>	<u>\$ 3,838,227</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	June 30, 2021	December 31, 2020	June 30, 2020
Current item:			
Financial assets mandatorily measured at fair value			
Domestic listed and over-the-counter stocks	\$ -	\$ 106,320	\$ 89,923
Domestic open-end fund	-	264,287	262,528
Foreign listed stocks	1,394	1,394	1,394
	1,394	372,001	353,845
Valuation adjustment	274	11,530	9,487
	<u>\$ 1,668</u>	<u>\$ 383,531</u>	<u>\$ 363,332</u>

- A. The Group recognised a net gain (including gains or losses on disposals of investments) of \$159, \$16,552, \$19,930 and \$16,552 on financial assets at fair value through profit or loss for the three months and six months ended June 30, 2021 and 2020, respectively.
- B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	June 30, 2021	December 31, 2020	June 30, 2020
Non-current item:			
Unlisted stocks	\$ 27,181	\$ 27,181	\$ 27,181
Valuation adjustment	(18,667)	(19,144)	(16,714)
	<u>\$ 8,514</u>	<u>\$ 8,037</u>	<u>\$ 10,467</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 \$8,514, \$8,037 and \$10,467 as at June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

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

	Three months ended June 30,	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 647)	(\$ 169)
	Six months ended June 30,	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 477	\$ 2,149

- C. As at June 30, 2021, December 31, 2020 and June 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$8,514, \$8,037 and \$10,467, 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, 2021</u>									
Cost	\$ 87,514	\$ 328,657	\$ 291,907	\$ 368,061	\$ 34,721	\$ 664	\$ 73,737	\$ 117,366	\$ 1,302,627
Accumulated depreciation	-	(78,786)	(152,184)	(259,759)	(28,840)	(664)	(51,201)	-	(571,434)
	<u>\$ 87,514</u>	<u>\$ 249,871</u>	<u>\$ 139,723</u>	<u>\$ 108,302</u>	<u>\$ 5,881</u>	<u>\$ -</u>	<u>\$ 22,536</u>	<u>\$ 117,366</u>	<u>\$ 731,193</u>
<u>2021</u>									
At January 1	\$ 87,514	\$ 249,871	\$ 139,723	\$ 108,302	\$ 5,881	\$ -	\$ 22,536	\$ 117,366	\$ 731,193
Additions	-	625	-	18,580	1,253	-	2,442	35,103	58,003
Reclassifications (Note 1)	-	-	-	3,304	225	-	357	(225)	3,661
Depreciation	-	(6,693)	(15,423)	(25,488)	(1,276)	-	(5,160)	-	(54,040)
Net exchange differences	-	-	-	-	(2)	-	(59)	(193)	(254)
At June 30	<u>\$ 87,514</u>	<u>\$ 243,803</u>	<u>\$ 124,300</u>	<u>\$ 104,698</u>	<u>\$ 6,081</u>	<u>\$ -</u>	<u>\$ 20,116</u>	<u>\$ 152,051</u>	<u>\$ 738,563</u>
<u>At June 30, 2021</u>									
Cost	\$ 87,514	\$ 329,282	\$ 291,907	\$ 351,018	\$ 36,107	\$ 664	\$ 65,809	\$ 152,051	\$ 1,314,352
Accumulated depreciation	-	(85,479)	(167,607)	(246,320)	(30,026)	(664)	(45,693)	-	(575,789)
	<u>\$ 87,514</u>	<u>\$ 243,803</u>	<u>\$ 124,300</u>	<u>\$ 104,698</u>	<u>\$ 6,081</u>	<u>\$ -</u>	<u>\$ 20,116</u>	<u>\$ 152,051</u>	<u>\$ 738,563</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, 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	- 582	640	9,333	2,498	-	2,257	115,564	130,874	
Reclassifications (Note 1)	- 99	(2,587)	24,382	-	-	3,621	5,962	31,477	
Depreciation	- (8,215)	(15,157)	(30,814)	(1,849)	(47)	(6,241)	- (62,323)		
At June 30	<u>\$ 87,514</u>	<u>\$ 222,036</u>	<u>\$ 148,764</u>	<u>\$ 131,316</u>	<u>\$ 4,826</u>	<u>\$ 23</u>	<u>\$ 23,172</u>	<u>\$ 128,943</u>	<u>\$ 746,594</u>
<u>At June 30, 2020</u>									
Cost	\$ 87,514	\$ 293,617	\$ 285,682	\$ 363,635	\$ 32,889	\$ 664	\$ 68,079	\$ 128,943	\$ 1,261,023
Accumulated depreciation	- (71,581)	(136,918)	(232,319)	(28,063)	(641)	(44,907)	- (514,429)		
	<u>\$ 87,514</u>	<u>\$ 222,036</u>	<u>\$ 148,764</u>	<u>\$ 131,316</u>	<u>\$ 4,826</u>	<u>\$ 23</u>	<u>\$ 23,172</u>	<u>\$ 128,943</u>	<u>\$ 746,594</u>

Note 1: The net 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 14 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. Short-term leases with a lease term of 12 months or less comprise offices. Low-value assets comprise photocopiers. For the three months and six months ended June 30, 2021 and 2020, payments of lease commitments for short-term leases amounted to \$2,204, \$1,233, \$4,165 and \$2,378, respectively.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land use right	\$ 94,019	\$ 95,512	\$ 96,730
Buildings	123,985	91,515	113,555
Transportation equipment (Business vehicles)	-	-	260
	<u>\$ 218,004</u>	<u>\$ 187,027</u>	<u>\$ 210,545</u>

	<u>Three months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land use right	\$ 746	\$ 606
Buildings	11,536	11,260
Transportation equipment (Business vehicles)	-	156
	<u>\$ 12,282</u>	<u>\$ 12,022</u>

	<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land use right	\$ 1,492	\$ 1,211
Buildings	22,804	21,720
Transportation equipment (Business vehicles)	-	312
	<u>\$ 24,296</u>	<u>\$ 23,243</u>

- D. For the three months and six months ended June 30, 2021 and 2020, the Group increased 'right-of-use assets' by \$55,453, \$0, \$55,453 and \$14,595, respectively.

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

	Three months ended June 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 703	\$ 926
Expense on short-term lease contracts	2,204	1,233
Expense on leases of low-value assets	111	126
	Six months ended June 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,354	\$ 1,734
Expense on short-term lease contracts	4,165	2,378
Expense on leases of low-value assets	188	209

F. For the six months ended June 30, 2021 and 2020, the Group's total cash outflow for leases were \$28,919 (of which \$23,212 represents principal of lease liabilities) and \$26,670 (of which \$22,349 represents principal of lease liabilities), respectively.

(6) Intangible assets

	Patent					Patented technology				
	OBI-858	OBI-833	OBI-3424	Bifunctional fusion protein for age-related muscular degeneration	Bispecific monoclonal antibody	Antibody-drug development platform	Trademarks	Software	Goodwill	Total
	Product development project of botulinum	Next-generation cancer vaccine	AKRIC3 enzyme prodrug							
<u>At January 1, 2021</u>										
Cost	\$ 42,858	\$ 1,500	\$ 90,693	\$ 81,037	\$ 271,933	\$ 96,644	\$ 1,815	\$ 11,403	\$ 61,148	\$ 659,031
Accumulated amortisation	(37,858)	(1,188)	(30,231)	(17,470)	(81,579)	(28,993)	(231)	(7,600)	-	(205,150)
	<u>\$ 5,000</u>	<u>\$ 312</u>	<u>\$ 60,462</u>	<u>\$ 63,567</u>	<u>\$ 190,354</u>	<u>\$ 67,651</u>	<u>\$ 1,584</u>	<u>\$ 3,803</u>	<u>\$ 61,148</u>	<u>\$ 453,881</u>
<u>2021</u>										
At January 1	\$ 5,000	\$ 312	\$ 60,462	\$ 63,567	\$ 190,354	\$ 67,651	\$ 1,584	\$ 3,803	\$ 61,148	\$ 453,881
Additions	-	-	-	-	-	-	-	569	-	569
Amortisation	(2,142)	(75)	(4,535)	(2,911)	(13,597)	(4,832)	(91)	(1,359)	-	(29,542)
At June 30	<u>\$ 2,858</u>	<u>\$ 237</u>	<u>\$ 55,927</u>	<u>\$ 60,656</u>	<u>\$ 176,757</u>	<u>\$ 62,819</u>	<u>\$ 1,493</u>	<u>\$ 3,013</u>	<u>\$ 61,148</u>	<u>\$ 424,908</u>
<u>At June 30, 2021</u>										
Cost	\$ 42,858	\$ 1,500	\$ 90,693	\$ 81,037	\$ 271,933	\$ 96,644	\$ 1,815	\$ 6,383	\$ 61,148	\$ 654,011
Accumulated amortisation	(40,000)	(1,263)	(34,766)	(20,381)	(95,176)	(33,825)	(322)	(3,370)	-	(229,103)
	<u>\$ 2,858</u>	<u>\$ 237</u>	<u>\$ 55,927</u>	<u>\$ 60,656</u>	<u>\$ 176,757</u>	<u>\$ 62,819</u>	<u>\$ 1,493</u>	<u>\$ 3,013</u>	<u>\$ 61,148</u>	<u>\$ 424,908</u>

	Patent				Patented technology		Trademarks	Software	Goodwill	Total
	OBI-822	OBI-858	OBI-833	OBI-3424						
	Therapeutically metastatic vaccines	Product development project of botulinum	Next-generation cancer vaccine	AKR1C3 enzyme prodrug	Bifunctional fusion protein for age-related muscular degeneration	Bispecific monoclonal antibody	Antibody-drug development platform			
<u>At January 1, 2020</u>										
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 90,693	\$ 81,037	\$ 271,933	\$ 96,644	\$ 1,808	\$ 14,133	\$ 61,148
Accumulated amortisation	(82,426)	(33,572)	(1,038)	(21,162)	(11,646)	(54,386)	(19,328)	(50)	(9,931)	-
	<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>2020</u>										
At January 1	\$ 5,151	\$ 9,286	\$ 462	\$ 69,531	\$ 69,391	\$ 217,547	\$ 77,316	\$ 1,758	\$ 4,202	\$ 61,148
Additions	-	-	-	-	-	-	-	7	1,324	-
Amortisation	(2,576)	(2,143)	(75)	(4,535)	(2,912)	(13,597)	(4,832)	(91)	(1,748)	-
At June 30	<u>\$ 2,575</u>	<u>\$ 7,143</u>	<u>\$ 387</u>	<u>\$ 64,996</u>	<u>\$ 66,479</u>	<u>\$ 203,950</u>	<u>\$ 72,484</u>	<u>\$ 1,674</u>	<u>\$ 3,778</u>	<u>\$ 61,148</u>
<u>At June 30, 2020</u>										
Cost	\$ 87,577	\$ 42,858	\$ 1,500	\$ 90,693	\$ 81,037	\$ 271,933	\$ 96,644	\$ 1,815	\$ 15,457	\$ 61,148
Accumulated amortisation	(85,002)	(35,715)	(1,113)	(25,697)	(14,558)	(67,983)	(24,160)	(141)	(11,679)	-
	<u>\$ 2,575</u>	<u>\$ 7,143</u>	<u>\$ 387</u>	<u>\$ 64,996</u>	<u>\$ 66,479</u>	<u>\$ 203,950</u>	<u>\$ 72,484</u>	<u>\$ 1,674</u>	<u>\$ 3,778</u>	<u>\$ 61,148</u>

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

	Three months ended June 30,	
	2021	2020
Administrative expenses	\$ 430	\$ 750
Research and development expenses	14,302	15,575
	<u>\$ 14,732</u>	<u>\$ 16,325</u>
	Six months ended June 30,	
	2021	2020
Administrative expenses	\$ 938	\$ 1,381
Research and development expenses	28,604	31,128
	<u>\$ 29,542</u>	<u>\$ 32,509</u>

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

	June 30, 2021	December 31, 2020	June 30, 2020
AP Biosciences, Inc.	<u>\$ 61,148</u>	<u>\$ 61,148</u>	<u>\$ 61,148</u>

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

- (a) The patent amounting to USD 6 million (approximately NTD 204,000) based on the appraisal report, was acquired as intellectual property right through equity of 20,400 thousand shares.
- (b) The Company signed an authorised sale contract for Antibiotics-Fidaxomicin with OPT. The contract states that the Company must pay royalty fees to OPT based on 17% or 22% of sales under the revenue achievements. The payment period of the royalty fee is the duration of patent right or ten years starting from the initial sales, whichever is later.
- (c) On October 2, 2015, the Company entered into a contract with Optimer Pharmaceuticals, LLC. (hereafter referred to as "Optimer"), agreeing to transfer all the rights of DIFICID™ (Fidaxomicin) in terms of marketing approval and filing a trademark application pursuant to Taiwan legislations. The contract will expire on November 27, 2028 when the patent term lapses. The contract provides that the Company is obliged to transfer all related rights to Optimer. In return, Optimer is obliged to pay the Company (a) US\$3 million of contract value; (b) a maximum of US\$3.25 million of accumulated net sales revenue and additional US\$1 million of milestone payment for each new indication; (c) sales royalty calculated based on a certain percentage of net sales revenue. As for all business activities related to DIFICID™, it is handed over to Optimer's associate in Taiwan, Merck Sharp & Dohme (I.A.) LLC. - Taiwan Branch (hereafter referred to as "MSD"). In addition, the authorised sale contract mentioned in Note 6(6)C. (b) has been terminated when the contract value of this transfer contract was settled based on mutual agreement. For the three months and six months ended June 30, 2021

and 2020, the Company recognised the aforementioned royalty income of \$408, \$267, \$719 and \$546, respectively.

- (d) The Company needs to pay the achieved milestones. As of June 30, 2021, the remaining unpaid amount was US\$10 million. The amount of payment is 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 June 30, 2021, the Company paid royalty fees of \$20,000 in 2014, milestone patent licensing fees of \$27,320 in 2016 and \$10,000 in 2017. These fees were recognised as research and development expenses.
- E. The Company purchased a patent named "product development project of botulinum" (OBI-858) from Amaran Biotechnology Inc. on March 2, 2012, which amounted to \$42,858 based on external experts' valuation.
- F. In 2010, the Company acquired patents named "next-generation cancer vaccine" (OBI-833) and "reagent for cancer screening" (OBI-868). The contract states that the Company must pay royalty fees based on the achieved milestones. In 2013, the Company paid royalty fees of \$1,500 separately for both projects. Furthermore, the Company must pay royalty fees based on a certain percentage of the sales of patented products annually.
- G. On May 31, 2017, the Company entered into an agreement with Threshold Pharmaceuticals, Inc. to acquire the global IP right (excluding Mainland China, Hong Kong, Macao, Taiwan, Japan, South Korea, Singapore, Malaysia, Thailand, Turkey and India) and patent regarding the innovative micromolecule drug TH-3424, which was then renamed OBI-3424.
- H. On July 11, 2017, the Company entered into a licensing agreement with PolyTherics Limited (Abzena) to introduce the ThioBridge™ linker technology required for the antibody drug conjugate (ADC). Under the terms of the agreement, the Company is obliged to pay a small amount of upfront payment to Abzena to acquire the worldwide exclusive right to use the ThioBridge™ technology for the development and commercialisation of ADCs targeting of carbohydrates in the Globo series. In the following years, milestone payments will be due whenever the specified milestones are reached. In addition, the Company is also required to pay royalties based on a certain percentage of sales of the products which incorporate the ThioBridge™ technology.
- I. Aiming to bolster the competitive edge of products and the ability to develop new drugs, on

January 10, 2018, the Company issued 1,675 thousand new common stocks in return for AbProtix, Inc.'s 6,700 thousand common stocks of AP Biosciences, Inc., which is equivalent to 67% ownership; the share exchange ratio is 1:4. The Company hired independent experts to issue a purchase price allocation report for the business combination. Based on the report, the Company recognised patent and acquired special technology, computer software, and goodwill in the amounts of \$449,614, \$105, and \$61,148, respectively.

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

(7) Short-term borrowings

<u>Type of borrowings</u>	<u>June 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	<u>\$ 9,468</u>	1.20%	Buildings located at No. 01410-000 and 01410-001, Shixing Section, Zhubei City
<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	<u>\$ 9,468</u>	1.20%	Buildings located at No. 01410-000 and 01410-001, Shixing Section, Zhubei City
<u>Type of borrowings</u>	<u>June 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	<u>\$ 42,068</u>	1.01%~1.35%	Certificates of time deposits denominated in New Taiwan dollars

(8) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	June 30, 2021	December 31, 2020	June 30, 2020
Long-term bank borrowings						
Secured borrowings	Borrowing period is from October 5, 2016 to October 5, 2026; interest is payable monthly (Note 1)	Note 3	Note 2	\$ 38,500	\$ 42,000	\$ 45,500
Unsecured borrowings	Borrowing period is from October 5, 2016 to October 5, 2021; interest is payable monthly (Note 1)	Note 3	None			
				1,000	2,000	3,000
				39,500	44,000	48,500
Less: Current portion				(8,000)	(9,000)	(9,000)
				<u>\$ 31,500</u>	<u>\$ 35,000</u>	<u>\$ 39,500</u>

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

Note 2: Please refer to Note 8 for details.

Note 3: It was calculated based on 3-month adjustable rates for consumer loans plus 0.53% annual rate. As of June 30, 2021, December 31, 2020 and June 30, 2020, the interest rate was 1.33%, 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 three months and six months ended June 30, 2021 and 2020 were \$3,075, \$2,893, \$5,971 and \$5,721, respectively.

B. OBI Pharma Australia Pty Ltd. and OBI Pharma Limited were not required to set up a policy for employee pension plans. For the pension plan based on local government regulations, OBI Pharma USA, Inc. and OBI Pharma (Shanghai) Limited recognised pension costs of \$1,236, \$949, \$2,572 and \$2,555 for the three months and six months ended June 30, 2021 and 2020, 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	"	-
"	2011.06.10	124,000	1	"	-
"	2011.09.30	260,000	1	"	0.25
"	2011.12.16	2,450,000	1	"	0.46
"	2012.01.01	1,560,000	1	"	0.50
"	2012.03.09	270,000	1	"	0.69
"	2013.11.27	1,821,000	1	Two years after services, employees can exercise options monthly at a certain percentage	2.41
"	2014.02.21	1,744,000	1	"	2.64
"	2014.03.26	575,000	1	"	2.74
"	2015.05.06	2,861,000	1	"	3.85
"	2015.08.04	75,000	1	"	4.10
"	2015.11.06	353,000	1	"	4.35
"	2015.12.15	13,000	1	"	4.46
"	2016.03.25	1,377,000	1	"	4.73
"	2017.03.09	3,145,000	1	"	5.69
"	2017.05.12	20,000	1	"	5.86
"	2017.08.11	20,000	1	"	6.11
"	2017.11.10	130,000	1	"	6.36
"	2018.01.19	1,685,000	1	"	6.55
"	2019.09.06	1,125,000	1	"	8.19
"	2019.11.08	385,000	1	"	8.36
"	2020.08.05	510,000	1	"	9.10

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

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

Type of agreement	Grant date	No. of units	Subscription share per unit	Vesting conditions	Weighted-average remaining contract period (years)
Employee stock option plan (Note)	2014.01.15	920	1,000	One year after services, employees can exercise options monthly at a certain percentage based on the schedule	2.54
"	2014.05.02	310	1,000	"	2.83
"	2014.09.03	270	1,000	"	3.17
"	2015.02.12	255	1,000	"	3.61
"	2015.05.27	300	1,000	"	3.90
"	2015.09.09	70	1,000	"	4.18
"	2015.12.15	235	1,000	"	4.45
"	2016.03.02	2,382	1,000	"	4.66
"	2016.09.02	45	1,000	"	5.17
"	2017.01.01	179	1,000	"	5.50
"	2017.04.01	34	1,000	"	5.75
"	2017.07.01	60	1,000	"	5.91
"	2018.03.23	1,090	1,000	"	6.72
"	2018.09.18	60	1,000	"	7.21
"	2019.01.01	65	1,000	"	7.50
"	2019.03.01	65	1,000	"	7.66
"	2019.10.01	210	1,000	"	8.25
"	2020.04.01	250	1,000	"	8.75
"	2020.05.01	120	1,000	"	8.83

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:

	Six months ended June 30,			
	2021		2020	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	9,954,335	\$ 251.81	10,634,832	\$ 249.44
Options granted	-	-	-	-
Options exercised	-	-	(100,000)	10.00
Options forfeited or expired	(296,040)	243.37	(309,206)	261.42
Options outstanding at end of the period	<u>9,658,295</u>	252.07	<u>10,225,626</u>	251.42
Options exercisable at end of the period	<u>7,763,804</u>		<u>7,946,402</u>	
Options authorised but not granted at end of the period	<u>-</u>		<u>-</u>	

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

	Six months ended June 30,			
	2021		2020	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	3,230	\$ 41.58	3,828	\$ 41.55
Options granted	-	-	370	25.00
Options exercised	-	-	-	-
Options forfeited or expired	(115)	40.65	(477)	28.22
Options outstanding at end of the period	<u>3,115</u>	41.62	<u>3,721</u>	41.61
Options exercisable at end of the period	<u>2,746</u>		<u>2,921</u>	
Options authorised but not granted at end of the period	<u>-</u>		<u>-</u>	

C. The weighted-average stock price of stock options at exercise dates for the six months ended June 30, 2020 was \$65.4 (in dollars). No stock option was exercised for the six months ended June 30, 2021.

D. As of June 30, 2021, December 31, 2020 and June 30, 2020, the range of exercise prices of the

Company's stock options outstanding were \$120~\$727 (in dollars), \$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
"	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

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 the 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

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

F. For the three months and six months ended June 30, 2021 and 2020, the Group recognised employee stock option plan compensation expense of \$9,982, \$20,829, \$22,729 and \$41,286, respectively.

(11) Share capital

A. As of June 30, 2021, the Company's authorised capital was \$3,000,000, consisting of 300 million shares of ordinary stock (including 24 million shares reserved for employee stock options), and the outstanding capital was \$1,992,794 with a par value of \$10 (in dollars) per share.

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

(Unit: shares in thousands)

	2021	2020
At January 1	198,892	187,655
Shares of the parent company sold by subsidiaries	74	-
Treasury shares arising from changes in shareholding ratio of subsidiaries	(18)	-
Exercise of employee stock options	-	100
At June 30	<u>198,948</u>	<u>187,755</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	Six months ended June 30, 2021				Carrying amount
	Beginning shares	Additions	Disposal	Ending shares	
Shares of the parent company held by subsidiaries treated as treasury shares (Note)	387 thousand shares	18 thousand shares	74 thousand shares	331 thousand shares	<u>\$ 46,002</u>

Reason for reacquisition	Six months ended June 30, 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	-	-	474 thousand shares	<u>\$ 62,618</u>

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

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

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

(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.

	2021		
	Share premium	Employee stock options	Others
At January 1	\$ 2,206,273	\$ 1,196,428	\$ 282,081
Treasury share transactions	-	-	846
Employee stock options compensation cost	-	13,992	7,506
Expiration of employee stock options	-	-	569
Changes in ownership interests in subsidiaries	-	-	(35,125)
At June 30	<u>\$ 2,206,273</u>	<u>\$ 1,210,420</u>	<u>\$ 255,877</u>

	2020		
	Share premium	Employee stock options	Others
At January 1	\$ 10,127,077	\$ 1,159,405	\$ 218,505
Employee stock options exercised	321	(321)	-
Employee stock options compensation cost	-	19,739	10,872
Capital surplus used to offset accumulated deficits	(8,259,036)	-	-
At June 30	<u>\$ 1,868,362</u>	<u>\$ 1,178,823</u>	<u>\$ 229,377</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 July 16, 2021 and June 22, 2020, the Company's 2020 and 2019 deficit compensations are 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	(<u>\$ 1,377,935</u>)

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

	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	<u>8,259,036</u>
Accumulated deficit at end of the year	<u>\$ -</u>

(14) Operating revenue

	Three months ended June 30,	
	2021	2020
Revenue from contracts with customers	<u>\$ 9,016</u>	<u>\$ 60,200</u>
	Six months ended June 30,	
	2021	2020
Revenue from contracts with customers	<u>\$ 13,476</u>	<u>\$ 60,492</u>

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

Three months ended June 30, 2021	Sale of materials	Service provision	Patent technology licensing	Total
Revenue from external customer contracts				
Contract revenue	\$ 393	\$ 1,222	\$ 7,401	\$ 9,016
Timing of revenue recognition				
At a point in time	\$ 393	\$ 1,222	\$ 7,401	\$ 9,016
Three months ended June 30, 2020	Sale of materials	Service provision	Patent technology licensing	Total
Revenue from external customer contracts				
Contract revenue	\$ -	\$ 13	\$ 60,187	\$ 60,200
Timing of revenue recognition				
At a point in time	\$ -	\$ 13	\$ 60,187	\$ 60,200
Six months ended June 30, 2021	Sale of materials	Service provision	Patent technology licensing	Total
Revenue from external customer contracts				
Contract revenue	\$ 1,451	\$ 4,313	\$ 7,712	\$ 13,476
Timing of revenue recognition				
At a point in time	\$ 1,451	\$ 4,313	\$ 7,712	\$ 13,476
Six months ended June 30, 2020	Sale of materials	Service provision	Patent technology licensing	Total
Revenue from external customer contracts				
Contract revenue	\$ -	\$ 26	\$ 60,466	\$ 60,492
Timing of revenue recognition				
At a point in time	\$ -	\$ 26	\$ 60,466	\$ 60,492

B. Contract liabilities

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

	June 30, 2021	December 31, 2020	June 30, 2020
Contract liabilities:			
Contract liabilities -			
royalty agreements	\$ -	\$ -	\$ 77,640
Contract liabilities -			
service agreements	1,661	-	-
	<u>\$ 1,661</u>	<u>\$ -</u>	<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 June 30, 2021, 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

	Three months ended June 30,	
	2021	2020
Interest income from bank deposits	<u>\$ 1,502</u>	<u>\$ 14,728</u>
	Six months ended June 30,	
	2021	2020
Interest income from bank deposits	<u>\$ 3,303</u>	<u>\$ 36,256</u>

(16) Other gains and losses

	Three months ended June 30,	
	2021	2020
Net currency exchange loss	(\$ 36,558)	(\$ 59,062)
Gains on financial assets at fair value through profit or loss	159	16,552
Others	(25)	(65)
	<u>(\$ 36,424)</u>	<u>(\$ 42,575)</u>
	Six months ended June 30,	
	2021	2020
Net currency exchange loss	(\$ 35,253)	(\$ 33,712)
Gains on financial assets at fair value through profit or loss	19,930	16,552
Others	(450)	(50)
	<u>(\$ 15,773)</u>	<u>(\$ 17,210)</u>

(17) Finance costs

	Three months ended June 30,	
	2021	2020
Interest expense	<u>\$ 823</u>	<u>\$ 1,117</u>
	Six months ended June 30,	
	2021	2020
Interest expense	<u>\$ 1,626</u>	<u>\$ 2,205</u>

(18) Expenses by nature

	Three months ended June 30,	
	2021	2020
Employee benefit expenses	\$ 112,531	\$ 107,311
Clinical material expenses	50,618	42,336
Consulting and service fees	97,120	42,804
Clinical trials cost	101,757	87,708
Rental expenses	2,324	1,374
Depreciation charges	39,408	43,248
Amortisation charges	14,732	16,325
Other expenses	22,575	31,824
Operating expenses and operating costs	<u>\$ 441,065</u>	<u>\$ 372,930</u>

	Six months ended June 30,	
	2021	2020
Employee benefit expenses	\$ 221,787	\$ 209,974
Clinical material expenses	62,628	113,760
Consulting and service fees	136,752	97,878
Clinical trials cost	151,972	183,678
Rental expenses	4,375	2,617
Depreciation charges	78,336	85,566
Amortisation charges	29,542	32,509
Other expenses	43,023	50,952
Operating expenses and operating costs	<u>\$ 728,415</u>	<u>\$ 776,934</u>

(19) Employee benefit expense

	Three months ended June 30,	
	2021	2020
Wages and salaries (including directors' remuneration)	\$ 88,175	\$ 73,422
Employee stock options	9,982	20,829
Labor and health insurance fees	5,016	4,380
Pension costs	4,311	3,842
Other personnel expenses	5,047	4,838
	<u>\$ 112,531</u>	<u>\$ 107,311</u>

	Six months ended June 30,	
	2021	2020
Wages and salaries (including directors' remuneration)	\$ 168,319	\$ 143,009
Employee stock options	22,729	41,286
Labor and health insurance fees	10,066	8,648
Pension costs	8,543	8,276
Other personnel expenses	12,130	8,755
	<u>\$ 221,787</u>	<u>\$ 209,974</u>

- A. In accordance with the Articles of Incorporation, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the abovementioned employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to

receive aforementioned stock or cash may be specified in the Articles of Incorporation. The term shall be defined by the Board of Directors.

- B. As of June 30, 2021, the Company had an accumulated deficit; thus, no employees' compensation and directors' remuneration was recognised for the three months and six months ended June 30, 2021 and 2020. Information about employees' compensation and directors' 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 benefit:

	Three months ended June 30,	
	2021	2020
Total current tax	(\$ 1,507)	(\$ 970)
Total deferred tax	2,109	2,108
Income tax benefit	<u>\$ 602</u>	<u>\$ 1,138</u>
	Six months ended June 30,	
	2021	2020
Total current tax	(\$ 2,707)	(\$ 1,999)
Total deferred tax	4,217	4,216
Income tax benefit	<u>\$ 1,510</u>	<u>\$ 2,217</u>

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

(21) Loss per share

	Three months ended June 30, 2021	
	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Amount after tax		
<u>Basic and diluted loss</u>		
<u>per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 415,797)	198,641 (\$ 2.09)

Three months ended June 30, 2020			
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss</u>			
<u>per share</u>			
Loss attributable to ordinary shareholders of the parent (Note 2)	(\$ 336,199)	198,406	(\$ 1.69)
Six months ended June 30, 2021			
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss</u>			
<u>per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 647,094)	198,934	(\$ 3.25)
Six months ended June 30, 2020			
	Amount after tax	Weighted-average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss</u>			
<u>per share</u>			
Loss attributable to ordinary shareholders of the parent (Note 2)	(\$ 673,004)	198,377	(\$ 3.39)

Note 1: The potential ordinary shares have anti-dilutive effect due to net loss for the three months and six months ended June 30, 2021 and 2020, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

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

Note 3: The Company issued new shares on account of reorganisation. Therefore, the Company included the new shares in the weighted average number of ordinary shares retrospectively

in the calculation of loss per share for the three months and six months ended June 30, 2020.

(22) Reorganisation of entities under common control

- A. The Company's product, Adagloxad Simolenin, has entered into clinical trials. In order 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, prepare for the inspection by the competent authority before selling the products in the market and improve the Company's ability on the CMC manufacture and development 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 to be 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 consolidated financial statements for the six months ended June 30, 2020. 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:

	Six months ended June 30,	
	2021	2020
Acquisition of property, plant and equipment	\$ 58,003	\$ 130,874
Add: Opening balance of payable	13,022	8,024
Less: Ending balance of payable	(13,365)	(2,903)
Cash paid during the period	<u>\$ 57,660</u>	<u>\$ 135,995</u>

(24) Changes in liabilities from financing activities

	<u>Lease liabilities</u>	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities - gross</u>
At January 1, 2021	\$ 192,485	\$ 9,468	\$ 44,000	\$ 245,953
Changes in cash flow from financing activities	(23,212)	-	(4,500)	(27,712)
Impact of changes in foreign exchange rate	(185)	-	-	(185)
Changes in other non-cash items	<u>55,453</u>	<u>-</u>	<u>-</u>	<u>55,453</u>
At June 30, 2021	<u>\$ 224,541</u>	<u>\$ 9,468</u>	<u>\$ 39,500</u>	<u>\$ 273,509</u>

	<u>Lease liabilities</u>	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities - gross</u>
At January 1, 2020	\$ 223,224	\$ -	\$ 53,000	\$ 276,224
Changes in cash flow from financing activities	(22,349)	42,068	(4,500)	15,219
Impact of changes in foreign exchange rate	(214)	-	-	(214)
Changes in other non-cash items	<u>14,595</u>	<u>-</u>	<u>-</u>	<u>14,595</u>
At June 30, 2020	<u>\$ 215,256</u>	<u>\$ 42,068</u>	<u>\$ 48,500</u>	<u>\$ 305,824</u>

7. RELATED PARTY TRANSACTIONS

(1) Name of related party and relationship

<u>Name of related party</u>	<u>Relationship with the Group</u>
RUENTEX ENGINEERING & CONSTRUCTION CO., LTD.	Other related party

(2) Significant related party transactions

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.

(3) Key management compensation

	Three months ended June 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 30,033	\$ 27,881
Share-based payments	8,938	12,198
	<u>\$ 38,971</u>	<u>\$ 40,079</u>
	Six months ended June 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 56,399	\$ 50,761
Share-based payments	17,425	19,897
	<u>\$ 73,824</u>	<u>\$ 70,658</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	June 30, 2021	December 31, 2020	June 30, 2020	
Land	\$ 87,514	\$ 87,514	\$ 87,514	Long-term borrowings (Note 1)
Buildings and structures	13,571	13,720	13,871	Long-term borrowings (Note 1)
Buildings and structures	230,232	236,151	-	Short-term borrowings (Note 2)
Other non-current assets (refundable deposits)	52,786	48,534	100,698	Short-term borrowings (Note 3), post-release duty payment, deposits for clinical trial agreement, rental deposit and letters of credit, etc.
	<u>\$ 384,103</u>	<u>\$ 385,919</u>	<u>\$ 202,083</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. Please refer to Note 6(7) for details.

Note 3: During the second quarter of 2020, a letter of credit of USD1,400,000, used to purchase filling equipments by the subsidiary, Amaran Biotechnology Inc., matured and transformed into a 3-month short-term borrowings, to which the subsidiary pledged time deposits as collateral in the amount of \$61 million. Please refer to Note 6(7) for details.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Aside from 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 \$42,598 had been paid as of June 30, 2021.
- (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). As of June 30, 2021, Amaran Biotechnology Inc. has paid \$34,020.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) Please refer to Note 6(13) D, deficit compensation.
- (2) On August 6, 2021, the Board of Directors of the Company resolved to issue 5,000,000 units of employee stock options. Each unit is entitled to the right to subscribe for 1 ordinary share of the Company. The Company will issue new shares to settle the stock options exercised.

12. OTHERS

(1) Capital management

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Total liability	\$ 389,879	\$ 502,091	\$ 512,273
Less: Cash and cash equivalents	(3,564,195)	(3,338,302)	(3,838,227)
Net debt	(\$ 3,174,316)	(\$ 2,836,211)	(\$ 3,325,954)
Total equity	<u>\$ 4,833,191</u>	<u>\$ 4,837,759</u>	<u>\$ 5,425,599</u>

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	\$ 1,668	\$ 383,531	\$ 363,332
Financial assets at fair value through other comprehensive income	8,514	8,037	10,467
Financial assets at amortised cost/loans and receivables			
Cash and cash equivalents	3,564,195	3,338,302	3,838,227
Accounts receivable	8,103	1,451	554
Other receivables	13,159	17,567	26,233
Other financial assets (refundable deposits)	52,786	48,534	100,698
	<u>\$ 3,648,425</u>	<u>\$ 3,797,422</u>	<u>\$ 4,339,511</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 9,468	\$ 9,468	\$ 42,068
Notes payable	364	-	-
Accounts payable	331	157	1,076
Other payables	52,300	189,775	57,119
Long-term borrowings (including current portion)	39,500	44,000	48,500
	<u>\$ 101,963</u>	<u>\$ 243,400</u>	<u>\$ 148,763</u>
Lease liabilities	<u>\$ 224,541</u>	<u>\$ 192,485</u>	<u>\$ 215,256</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:

June 30, 2021							
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis			
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$ 52,145	27.860	\$ 1,452,760	1%	\$ 14,528	\$	-
RMB:NTD	383	4.309	1,650	1%	17		-
USD:RMB	495	6.466	13,791	1%	138		-
<u>Financial assets</u>							
<u>Non-monetary items</u>							
USD:NTD	2,522	27.860	70,257	-	-		-
RMB:USD	3,872	0.155	16,685	-	-		-
AUD:NTD	3,954	20.940	82,804	-	-		-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	606	27.860	16,883	1%	169		-
December 31, 2020							
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis			
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$ 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		-

June 30, 2020

				Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$ 93,260	29.630	\$ 2,763,294	1%	\$ 27,633	\$	-
RMB:NTD	953	4.191	3,994	1%	40		-
<u>Financial assets</u>							
<u>Non-monetary items</u>							
USD:NTD	1,925	29.630	57,040	-	-		-
RMB:USD	1,133	0.141	4,747	-	-		-
AUD:NTD	1,991	20.335	40,479	-	-		-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	2,776	29.630	82,253	1%	823		-

- 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 three months and six months ended June 30, 2021 and 2020 amounted to (\$36,558), (\$59,062), (\$35,253) and (\$33,712), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$13 and \$2,907, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$85 and \$105, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings were calculated by floating rate and stated at New Taiwan dollars for the three months and six months ended June 30, 2021 and 2020.
- ii. At June 30, 2021 and 2020, if interest rates had been 1% higher or lower with all other variables held constant, post-tax profit for the six months ended June 30, 2021 and 2020 would have been \$168 and \$239 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, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customer's accounts 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 June 30, 2021, December 31, 2020 and June 30, 2020, 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.

	June 30, 2021				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Short-term borrowings	\$ 9,471	\$ -	\$ -	\$ -	\$ -
Notes payable	364	-	-	-	-
Accounts payable	331	-	-	-	-
Other payables	52,300	-	-	-	-
Long-term borrowings (including current portion)	8,464	7,369	7,275	14,272	3,510
Lease liabilities (including current portion)	33,633	29,907	25,397	38,686	123,027

December 31, 2020					
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Short-term borrowings	\$ 9,569	\$ -	\$ -	\$ -	\$ -
Accounts payable	157	-	-	-	-
Other payables	189,775	-	-	-	-
Long-term borrowings (including current portion)	9,520	7,415	7,322	14,365	7,043
Lease liabilities (including current portion)	39,658	22,519	20,610	35,436	96,992

June 30, 2020					
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Short-term borrowings	\$ 42,112	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,076	-	-	-	-
Other payables (including related parties)	57,119	-	-	-	-
Long-term borrowings (including current portion)	9,580	8,464	7,369	14,458	10,599
Lease liabilities (including current portion)	49,008	26,402	22,393	39,472	102,824

- 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:

June 30, 2021				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign listed stocks	\$ 1,668	\$ -	\$ -	\$ 1,668
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	8,514	8,514
	<u>\$ 1,668</u>	<u>\$ -</u>	<u>\$ 8,514</u>	<u>\$ 10,182</u>
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>

June 30, 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	\$ 97,462	\$ -	\$ -	\$ 97,462
Domestic open-end fund	264,476	-	-	264,476
Foreign listed stocks	1,394	-	-	1,394
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	10,467	10,467
	<u>\$ 363,332</u>	<u>\$ -</u>	<u>\$ 10,467</u>	<u>\$ 373,799</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:

	Fair value at June 30, 2021	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 8,514	Market comparable companies	Price to book ratio multiple	1.40~3.02 (2.08)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	22.63%~ 61.39% (38%)	The higher the discount for lack of marketability, the lower the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 8,037	Market comparable companies	Price to book ratio multiple	1.43~4.19 (2.26)	The higher the 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
	Fair value at June 30, 2020	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 10,467	Market comparable companies	Price to book ratio multiple	1.55~7.27 (1.94)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	28.07%~ 58.11% (37%)	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:

			June 30, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±10%	\$ -	\$ -	\$ 848	(\$ 848)
	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 525	(\$ 525)
			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)
			June 30, 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%	\$ -	\$ -	\$ 1,051	(\$ 1,051)
	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 613	(\$ 613)

H. The following chart is the movement of Level 3 for the six months ended June 30, 2021 and 2020:

	Equity securities	
	Six months ended June 30,	
	2021	2020
Opening net book amount	\$ 8,037	\$ 8,318
Profit recognised in other comprehensive income	477	2,149
Closing net book amount	<u>\$ 8,514</u>	<u>\$ 10,467</u>

I. As of June 30, 2021, December 31, 2020 and June 30, 2020, there was no transfer into or out from Level 3.

(4) Impact of COVID-19

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies

in the Mainland Area: None.

(4) Major shareholders information

Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

OBI Pharma, Inc. and Subsidiaries

Loans to others

Six months ended June 30, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	Is a related party	General ledger account	Maximum outstanding balance during the six months ended June 30, 2021	Balance at June 30, 2021	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	\$ 17,692	\$ -	\$ -	1.60%	2	\$ -	Working capital	\$ -	-	\$ -	\$ 357,214	\$ 1,428,856	Note 1
1	OBI Pharma Australia Pty Ltd	"	"	"	2,786	2,786	1,465	1.33%	"	-	"	-	-	-	8,280	33,122	Note 2

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

Note 2: Ceiling on total loans from a subsidiary to others is 40% of the subsidiary's net assets and limit on loans from a subsidiary to a single party is 10% of the subsidiary's net assets.

Note 3: The nature of the loan is as follows:

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

OBI Pharma, Inc. and Subsidiaries

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

June 30, 2021

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 June 30, 2021				Footnote
				Number of shares	Book value	Ownership	Fair value	
OBI Pharma, Inc.	Agnitio Science & Technology Inc./Stock	None	Financial assets at fair value through other comprehensive income - non-current	867,018	\$ 8,514	3.27%	\$ 8,514	None
Amaran Biotechnology Inc.	Edesa Biotech, Inc./private placement common stocks	"	Financial assets at fair value through profit or loss - current	11,338	1,668	-	1,668	"

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

Six months ended June 30, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				Balance as at January 1, 2021		Addition		Disposal				Balance as at June 30, 2021			
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Footnote
OBI Pharma, Inc.	OBIGEN PHARMA, INC./ Common stock	Investments accounted for using the equity method	OBIGEN PHARMA, INC.	Subsidiary	-	\$ -	47,250,000	\$ 95,250	-	\$ -	\$ -	\$ -	47,250,000	\$ 95,250	Note 1
								Note 2							

Note 1: OBIGEN PHARMA, INC. became a subsidiary of the Company since the first quarter of 2021.

Note 2: It includes the Company’s new investment amounting to \$945,000 in OBIGEN PHARMA, INC. in February 2021, and the investment loss and unrealised gain on disposal recognised for the period.

OBI Pharma, Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Six months ended June 30, 2021

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	\$ 16,861	(Note 4)	0.32%
1	"	"	"	Service revenue	85,418	"	633.85%

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

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

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

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

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

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

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

OBI Pharma, Inc. and Subsidiaries
Information on investees (not including investees in Mainland China)
Six months ended June 30, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2021			Net loss of the investee for the six months ended June 30, 2021	Investment loss recognised by the Company for the six months ended June 30, 2021	Footnote
				Balance as at June 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
OBI Pharma, Inc.	Amaran Biotechnology Inc.	Taiwan	Manufacture and wholesale of western pharmaceuticals as well as research and development of biotechnology	\$ 676,096	\$ 389,865	64,915,252	70.72	\$ 593,130	(\$ 71,175)	(\$ 41,075)	Note 3
"	AP Biosciences, Inc.	Taiwan	Research and development of biotechnology	640,035	640,035	13,312,000	54.62	552,175	(80,969)	(54,046)	"
"	OBIGEN PHARMA, INC.	Taiwan	Research and development of biotechnology	945,000	-	47,250,000	62.17	95,250	(40,555)	(25,094)	Notes 2 and 3
"	OBI Pharma Australia Pty Ltd.	Australia	Research and development of biotechnology	223,011	223,011	10,650,000	100.00	82,804	(30,537)	(30,537)	Note 3
"	OBI Pharma USA, Inc.	USA	Research and development of biotechnology	75,222	75,222	2,701,000	100.00	52,616	(4,149)	(4,149)	"
"	OBI Pharma Limited	Hong Kong	Investments and trading	73,829	59,899	2,650,000	100.00	17,641	(4,581)	(4,581)	"

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

Note 2: The Company exchanged receivables for new shares of OBIGEN PHARMA, INC. As a result, OBIGEN PHARMA, INC. became a subsidiary of the Company. The initial investment amount included unrealised revenue from licensing of \$824,706 and unrealised gain on disposal of \$16,907.

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

OBI Pharma, Inc. and Subsidiaries
Information on investments in Mainland China
Six months ended June 30, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021	Net loss of investee for the six months ended June 30, 2021	Ownership held by the Company (direct or indirect)	Investment loss recognised by the Company for the six months ended June 30, 2021	Book value of investments as of June 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
OBI Pharma (Shanghai) Limited	Research and development of biotechnology	\$ 69,650	Note 1	\$ 55,720	13,930	-	\$ 69,650	(\$ 4,501)	100.00	(\$ 4,501)	\$ 16,685	-	

Company name	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	
	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021 (Note 2)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)
OBI Pharma, Inc.	\$ 69,650	\$ 2,143,283

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

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

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

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

OBI Pharma, Inc. and Subsidiaries

Major shareholders information

June 30, 2021

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Yi Tai Investment Co., Ltd.	25,765,032	12.92%
Huei Hong Investment Co., Ltd.	17,766,099	8.91%

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

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

Note 3: Basis for preparation of this table is presumably in accordance with the shareholders' register as of the date for suspension of share transfer for a shareholders' special meeting (no covering of short sale positions) to further calculate the allocation of the balance of each margin trading.

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

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