

**TSH BIOPHARM CORPORATION LTD.  
PARENT COMPANY ONLY FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020 AND 2019**

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For the convenience of readers and for information purpose only, the independent 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 difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of TSH Biopharm Corporation Ltd.

### **Opinion**

We have audited the financial statements of TSH Biopharm Corporation Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

#### **1. Valuation of Inventories**

Please refer to notes 4(7), 5 and 6(6) of the notes to the parent company only financial statement for

the accounting policies on measuring inventory, assumptions used and uncertainties considered in determining net realizable value, allowances for impairment loss and obsolescence and balances of impairment loss and obsolescence, respectively.

**Description of key audit matter:**

Inventories are stated at of cost and net realizable value. Due to fierce competition in pharmaceutical industry and the declining prices of health insurance drugs every year, which will affect the sales prices of related products, resulting in a risk that the cost of inventories to exceed its net value. Therefore, inventory evaluation is one of the key audit matters for our audit.

**How the matter was addressed in our audit:**

Our audit procedures for the above key audit matters included assessing the Company's inventory allowance amount based on the nature of the inventories; performing audit to check the correctness of the inventory age report; reviewing the company's past inventory allowances and assessing whether the estimation methods and assumptions are appropriate; observe the inventory count and check the inventory status to assess whether the inventory is expired or damaged; sampling the latest sales prices of inventory and assessing the reasonableness of net realizable value; assessing whether disclosure items for inventory allowances are appropriate.

**Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

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

Those charged with governance (including of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

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

represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partners on the audit resulting in this independent auditor's report are Shin-Chin Chih and Kuo-Yang Tseng.

KPMG  
Taipei, Taiwan (Republic of China)  
March 10, 2021

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The accompanying parent company only 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 parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)  
**TSH Biopharm Corporation Ltd.**  
**Balance Sheets**  
**December 31, 2020 and 2019**  
(Expressed in thousands of New Taiwan Dollars)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (notes 6(1) and (20))	\$ 396,701	32	\$ 224,212	18	2130	Contract liabilities-current (notes 6(17) and (20))	\$ -	-	\$ 2,483	-
1120	Current financial assets at fair value through other comprehensive income (notes 6(3)、(20) and 13)	62,216	5	149,727	12	2150	Notes payable (note 6(20))	1,469	-	495	-
1150	Notes receivable, net (notes 6(4)、(17)、(20) and 7)	15,577	1	19,637	2	2160	Notes payable to related parties (notes 6(20) and 7)	-	-	5	-
1170	Accounts receivable, net (notes 6(4)、(17) and (20))	90,881	8	97,818	8	2170	Accounts payable (note 6(20))	2,835	-	7,859	1
1180	Accounts receivable from related parties (notes 6(4)、(17)、(20) and 7)	2,421	-	517	-	2180	Accounts payable to related parties (notes 6(20) and 7)	3,114	-	32,749	3
1200	Other receivables (notes 6(5)、(20) and 7)	2,981	-	1,378	-	2200	Other payables (notes 6(11)、(20) and 7)	70,118	6	81,238	6
130x	Inventories (note 6(6))	77,906	6	59,055	4	2230	Current income tax liabilities	15,651	1	8,798	1
1476	Other financial assets – current (notes 6(1)、(10) and (20))	266,751	22	308,660	24	2280	Current lease liabilities (notes 6(12)、(20)、(23) and 7)	4,365	-	4,216	-
1479	Other current assets (notes 6(10) and 7)	28,407	2	24,880	2	2300	Other current liabilities	1,066	-	949	-
		<u>943,841</u>	<u>76</u>	<u>885,884</u>	<u>70</u>			<u>98,618</u>	<u>7</u>	<u>138,792</u>	<u>11</u>
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>					
1510	Non-current financial assets at fair value through profit or loss (notes 6(2)、(20) and 13)	-	-	5,874	1	2580	Non-current lease liabilities (notes 6(12)、(20)、(23) and 7)	4,418	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(3)、(20) and 13)	240,804	20	327,148	26						
1600	Property, plant and equipment (note 6(7))	25,255	2	26,225	2		<b>Total liabilities</b>	<u>103,036</u>	<u>7</u>	<u>138,792</u>	<u>11</u>
1755	Right-of-use assets (note 6 (8))	8,783	1	4,191	-		<b>Equity (note 6(15)) :</b>				
1780	Intangible assets (note 6 (9))	6,180	1	8,239	1	3100	Capital stock	383,981	31	383,981	31
1840	Deferred income tax assets (note 6 (14))	1,256	-	1,773	-	3200	Capital surplus	458,977	38	458,977	36
1920	Refundable deposits paid (notes 6(10)、(20) and 7)	2,636	-	3,375	-		Retained earnings :				
1984	Other non-current financial assets (notes 6(10) and (20))	625	-	1,046	-	3310	Legal reserve	97,016	8	88,483	7
		<u>285,539</u>	<u>24</u>	<u>377,871</u>	<u>30</u>	3350	Unappropriated retained earnings	169,610	14	86,773	7
						3400	Other equity	16,760	2	106,749	8
<b>Total assets</b>		<u>\$ 1,229,380</u>	<u>100</u>	<u>\$ 1,263,755</u>	<u>100</u>		<b>Total equity</b>	<u>1,126,344</u>	<u>93</u>	<u>1,124,963</u>	<u>89</u>
							<b>Total liabilities and equity</b>	<u>\$ 1,229,380</u>	<u>100</u>	<u>\$ 1,263,755</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

**TSH Biopharm Corporation Ltd.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2020		2019	
	AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b> (notes 6(17) and 7)	\$ 447,862	100	\$ 507,666	100
5000 <b>Operating costs</b> (notes 6(6) and 7)	162,670	36	192,936	38
<b>Gross profit</b>	285,192	64	314,730	62
6000 <b>Operating expenses</b> (notes 6(4)、(13)、(18)、 7 and 12):				
6100 Selling expenses	124,836	28	142,627	28
6200 Administrative expenses	57,474	13	63,119	13
6300 Research and development expenses	28,681	6	52,781	10
6450 Expected credit loss (gain)	( 103)	-	5	-
	210,888	47	258,532	51
<b>Operating income</b>	74,304	17	56,198	11
<b>Non-operating income and expenses</b> (notes 6(12)、(19) and 7):				
7100 Interest income	2,238	-	2,843	-
7010 Other income	57	-	60	-
7020 Other gains and losses	660	-	44,336	9
7050 Finance costs	( 27)	-	( 82)	-
	2,928	-	47,157	9
<b>Profit before tax</b>	77,232	17	103,355	20
7950 <b>Income tax expense</b> (note 6(14))	( 15,662)	( 3)	( 18,028)	( 3)
<b>Profit for the year</b>	\$ 61,570	14	\$ 85,327	17
8300 <b>Other comprehensive income</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8316 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	8,928	2	( 19,808)	( 4)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	8,928	2	( 19,808)	( 4)
8300 <b>Other comprehensive income</b>	8,928	2	( 19,808)	( 4)
<b>Total comprehensive income</b>	\$ <b>70,498</b>	<b>16</b>	\$ <b>65,519</b>	<b>13</b>
<b>Earnings per share</b> (note 6(16))				
9750 <b>Basic earnings per share</b>	\$ <b>1.60</b>		\$ <b>2.22</b>	
9850 <b>Diluted earnings per share</b>	\$ <b>1.60</b>		\$ <b>2.22</b>	

See accompanying notes to financial statements.



(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

**TSH Biopharm Corporation Ltd.**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2020 and 2019**  
 (Expressed in Thousands of New Taiwan Dollars)

	<u>Retained earnings</u>				<u>Other equity interest</u>		<u>Total equity</u>
	<u>Ordinary share capital</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Unappropriated retained earnings</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>		
Balance as of January 1, 2019	\$ 383,981	\$ 458,977	\$ 82,705	\$ 68,661	\$ 126,557		\$ 1,120,881
Net income for the year	-	-	-	85,327	-		85,327
Other comprehensive income for the year	-	-	-	-	( 19,808 )	( 19,808 )	( 19,808 )
Total comprehensive income for the year	-	-	-	85,327	( 19,808 )		65,519
Appropriation and distribution of retained earnings:							
Appropriation for legal reserve	-	-	5,778	( 5,778 )	-		-
Cash dividends of ordinary share distributed	-	-	-	( 61,437 )	-	( 61,437 )	( 61,437 )
<b>Balance as of December 31, 2019</b>	<b>383,981</b>	<b>458,977</b>	<b>88,483</b>	<b>86,773</b>	<b>106,749</b>		<b>1,124,963</b>
Net income for the year	-	-	-	61,570	-		61,570
Other comprehensive income for the year	-	-	-	-	8,928		8,928
Total comprehensive income for the year	-	-	-	61,570	8,928		70,498
Appropriation and distribution of retained earnings:							
Appropriation for legal reserve	-	-	8,533	( 8,533 )	-		-
Cash dividends of ordinary share distributed	-	-	-	( 69,117 )	-	( 69,117 )	( 69,117 )
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	98,917	( 98,917 )		-
<b>Balance as of December 31, 2020</b>	<b>\$ 383,981</b>	<b>\$ 458,977</b>	<b>\$ 97,016</b>	<b>\$ 169,610</b>	<b>\$ 16,760</b>		<b>\$ 1,126,344</b>

See accompanying notes to financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

**TSH Biopharm Corporation Ltd.**

**Statements of Cash Flows**

**For the years ended December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 77,232	\$ 103,355
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation	7,127	7,138
Amortization	2,522	2,474
Expected credit (gain) loss	( 103 )	5
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	1,558	( 378 )
Interest expense	27	82
Interest income	( 2,238 )	( 2,843 )
Dividend income	( 6,420 )	( 6,315 )
Loss on disposal of property, plant and equipment	-	8
Impairment loss from non – financial assets	4,583	-
Gain on lease modification	-	( 2 )
Total adjustment to reconcile profit (loss)	<u>7,056</u>	<u>169</u>
Changes in operating assets and liabilities:		
Decrease in notes receivable	4,060	252
Decrease (increase) in accounts receivable (including related parties)	5,136	( 2,305 )
Increase in other receivables	( 1,603 )	( 113 )
Increase in inventories	( 18,851 )	( 11,680 )
Increase in other current assets	( 8,110 )	( 23,574 )
(Decrease) increase in contract liabilities	( 2,483 )	494
Increase (decrease) in notes payable (including related parties)	969	( 864 )
(Decrease) increase in accounts payable (including related parties)	( 34,659 )	5,030
(Decrease) increase in other payables	( 11,171 )	24,233
Increase in other current liabilities	117	210
Total changes in operating assets and liabilities	<u>( 66,595 )</u>	<u>( 8,317 )</u>
Total adjustments	<u>( 59,539 )</u>	<u>( 8,148 )</u>
Cash flows from operations	17,693	95,207
Interest received	2,238	3,379
Interest paid	( 27 )	( 82 )
Income tax paid	( 8,293 )	( 9,856 )
<b>Net cash flows from operating activities</b>	<u>11,611</u>	<u>88,648</u>

(Continued)

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

**TSH Biopharm Corporation Ltd.**

**Statements of Cash Flows**

**For the years ended December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	(\$ 90,567)
Proceeds from disposal of financial assets at fair value through other comprehensive income	182,784	-
Proceeds from disposal of financial assets at fair value through profit or loss	4,316	( - )
Acquisition of property, plant and equipment	( 1,916 )	( 2,997 )
Decrease in guarantee deposits paid	739	1,124
Acquisition of intangible assets	( 463 )	( 141 )
Decrease in other financial assets - current	41,909	71,268
Decrease in other financial assets - non-current	421	-
Dividends received	6,420	6,315
<b>Net cash flows from (used in) investing activities</b>	<u>234,210</u>	<u>( 14,998 )</u>
<b>Cash flows used in financing activities:</b>		
Payments of lease liabilities	( 4,215 )	( 4,371 )
Cash dividends paid	( 69,117 )	( 61,437 )
<b>Net cash flows used in financing activities</b>	<u>( 73,332 )</u>	<u>( 65,808 )</u>
Net increase in cash and cash equivalents	172,489	7,842
Cash and cash equivalents at beginning of year	224,212	216,370
Cash and cash equivalents at end of year	<u>\$ 396,701</u>	<u>\$ 224,212</u>

See accompanying notes to financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

**TSH BIOPHARM CORPORATION LTD.**

**Notes to the Parent Company Only Financial Statements**

**December 31, 2020 and 2019**

(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

**1. History and organization**

TSH Biopharm Corporation Ltd. (the “Company”) was incorporated on September 21, 2010. The Company's registered office address is 3F-1, No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.). The shares of the Company have been listed on the Taipei Exchange (“TPEX”) since April 2012. The main activity of the Company is in sale of a variety of pharmaceuticals, chemical drugs and engaged in biotechnology services.

**2. Approval date and procedures of the financial statements**

The accompanying parent company only financial statements were authorized for issue by the Board of Directors on March 10, 2021.

**3. Application of new standards, amendments and interpretations**

(1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company believes that the adoption of the following IFRSs would not have any material impact on its parent-company-only financial statements.

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16, “Covid-19-related rent concessions”

(2) The impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following standards would not have any material impact on its parent-company-only financial statements.

- Amendments to IFRS 4, “Extension of the temporary exemption from applying IFRS 9”
- Amendments to IFRS 9, IAS39 , IFRS7 , IFRS4 and IFRS16 “Interest Rate Benchmark Reform- Phase 2”

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs have been issued by IASB, but have yet to be endorsed by the FSC:

**TSH Biopharm Corporation Ltd.**  
Notes to the Parent Company Only Financial Statements

New Standards and Amendments	Main revised content	Effective Date by International Accounting Standards Board
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendment stipulates that the costs incurred in fulfilling the contract should include the following costs directly related to the contract: <ol style="list-style-type: none"> <li>1. The incremental cost of fulfilling the contract, such as direct labor and raw materials; and</li> <li>2. The apportionment of other costs directly related to the performance of the contract—such as the apportionment of the depreciation expenses of the real property, plant and equipment items used in the performance of the contract, etc.</li> </ol>	January 1, 2022

The Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations and related applicable period. The related impact will be disclosed when the Company completes the evaluation.

The Company believes that the adoption of the following IFRS would not have any material impact on its consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

#### 4. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these parent company only financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

##### (1) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

##### (2) Basis of preparation

###### A. Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income are measured at fair value.

**TSH Biopharm Corporation Ltd.**  
**Notes to the Parent Company Only Financial Statements**

**B. Functional and presentation currency**

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand unless otherwise stated.

**(3) Foreign currency**

**Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- A. an investment in equity securities designated as at fair value through other comprehensive income;
- B. a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- C. qualifying cash flow hedges to the extent that the hedges are effective.

**(4) Classification of current and non-current assets and liabilities**

The Company classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. It holds the asset primarily for the purpose of trading;
- C. It expects to realize the asset within twelve months after the reporting period; or
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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(5) Cash and cash equivalents

Cash comprise cash and cash in bank. Cash equivalents are short-term and 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 which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(6) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(A) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(B) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part

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of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(C) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(D) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(E) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the



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Company considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company's claim to cash flows from specified assets ( e.g. nonrecourse features )

(F) Impairment of financial assets

The Company recognizes its loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

The Company measures its loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment, as well as forward looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs resulting from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;

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- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company' s procedures for recovery of amounts due.

(G) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instrument

(A) Classification of debt or equity

Debt and or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(B) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(C) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(D) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement

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of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings and structures	14 ~20 years
(b) Machinery and equipment	3 ~ 10 years
(c) Furniture and fixtures	3 ~ 10 years
(d) Other equipment	3 ~ 10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(9) Leases

A. Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

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- (A) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (B) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (C) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

**B. As a lessee**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (A) fixed payments, including in-substance fixed payments;
- (B) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (C) amounts expected to be paid under a residual value guarantee; and
- (D) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

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- (A) there is a change in future lease payments arising from the change in an index or rate; or
- (B) there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee; or
- (C) there is a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (D) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an extension or termination option; or
- (E) there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets, transportation equipment, furniture and fixtures equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**C. As a lessee**

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

**(10) Intangible assets**

**A. Recognition and measurement**

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to

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initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company including patents, computer software and drug permit licenses and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

**B. Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

**C. Amortization**

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

(A) Patents and drug permit licenses	3~10 years
(B) Computer software cost	3~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

**(11) Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(12) Revenue recognition**

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

**A. Sale of goods**

The Company recognizes revenue when control of the products has transferred, being when the

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products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

**B. Testing revenue**

The company provides blood tests and other related services. This service is priced separately. When the service is provided according to the contract and has the right to collect the consideration unconditionally, the Company recognized revenue and accounts receivable.

**C. Services revenue**

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

The Company provides consulting and related management services to its customers. Revenue from providing services is recognized based on the actual service provided to the reporting date as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

**(13) Employee benefits**

**A. Defined contribution plans**

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are provided by employees.

**B. Defined benefit plans**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(14) Income taxes**

Income taxes include both current taxes and deferred taxes. Except for items related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable profits (losses) for the year calculated using the statutory tax rate on the reporting date, tax payables that are calculated based on the part of the prior-year's earnings that have been decided during the shareholders' meeting in the current year which have not been distributed to the shareholders using the statutory tax rate, as well as and the tax adjustments related to prior years.

Deferred taxes will be recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and their tax base, and will not be recognized for:

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- A. temporary differences on the initial recognized of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or losses;
- B. temporary differences related the investments in subsidiaries, associates and joint arrangement to the extent that the Company is able to control the timing of the reverse of the temporary differences and its probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which is the tax rate that had been enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (A) the same taxable entity; or
  - (B) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(15) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonus.

(16) Operating segment information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the parent company only financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets,



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liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows: None

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. Please refer to note 6(6) for further description of the valuation of inventories.

**6. Explanation of significant accounts**

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Petty cash	\$ 230	\$ 386
Cash in banks	396,471	214,817
Time deposits	-	9,009
	<u>\$ 396,701</u>	<u>\$ 224,212</u>

A. The above cash and cash equivalents were not pledged as collateral.

B. Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets-current. As of December 31, 2020 and 2019, the amount of time deposits were \$266,751 and \$308,660, respectively.

C. Please refer to note 6(20) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets designated at fair value through profit or loss :		
Non-current		
Domestic index fund – preferred stock	<u>\$ -</u>	<u>\$ 5,874</u>

A. Please refer to note 6(19) for the gains (losses) on financial assets at fair value through profit or loss.

B. Please refer to note 6(20) for credit and market risk information.

C. The above financial assets were not pledged as collateral.

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

Items	December 31, 2020	December 31, 2019
Equity instruments at fair value through other comprehensive income :		
Current		
Listed common stock		
Domestic Company - Lumosa Therapeutics Co., Ltd.	\$ 62,216	\$ 144,446
Domestic Company - Cathay Financial Holdings	-	5,281
Non - current		
Listed common stock		
Domestic Company - Handa Pharmaceuticals, Inc.	-	78,278
Domestic Company - Chuang Yi Biotech Co., Ltd.	14,563	3,009
Domestic Company - Fubon Financial Holdings	-	13,920
Listed preferred stock		
Domestic Company - Fubon Financial Holdings	156,250	160,750
Domestic Company - Union Bank Of Taiwan	20,720	21,920
Unlisted preferred stock		
Foreign Company - CellMax Ltd.	49,271	49,271
	<b>\$ 303,020</b>	<b>\$ 476,875</b>

A. Equity instruments at fair value through other comprehensive income

The Company holds such equity investments as long-term strategic investment that is not held for trading purposes; thus, they are designated as equity investment measured at fair value through other comprehensive income.

The Company sold some financial assets at fair value through other comprehensive income for the year ended December 31, 2020. The shares sold had a fair value of \$182,784 and the Company realized a gain of \$98,917, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

No strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2019.

B. The Company acquired the common stock of other related party – Chuang Yi Biotech Co., Ltd., for the year ended December 31, 2019, including 178,808 new issued ordinary shares were acquired at NTD 25 per share in December 2019.

C. Please refer to note 6(20) for credit and market risk information.

D. The above financial assets were not pledged as collateral.

(4) Notes receivable and accounts receivable (including related parties)

	December 31, 2020	December 31, 2019
Notes receivable	\$ 15,577	\$ 19,637
Accounts receivable-measured at amortized cost	94,403	99,539
Less: Allowance for expected credit losses	( 1,101 )	( 1,204 )
	<b>\$ 108,879</b>	<b>\$ 117,972</b>

The Company applies the simplified approach to provide for its expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics

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and the days past due, as well as forward looking information. The loss allowance provision was determined as follows:

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Not past due	\$ 109,312	1%	\$ 1,093
Past due 1~60 days	612	1%	6
Past due 61~120 days	24	1%	-
Past due 121~180 days	31	2%	1
Past due 181~365 days	-	2%	-
Past due more than 365 days	1	100%	1
	<b>\$ 109,980</b>		<b>\$ 1,101</b>

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Not past due	\$ 117,267	1%	\$ 1,174
Past due 1~60 days	1,896	1%	19
Past due 61~120 days	1	1%	-
Past due 121~180 days	1	2%	-
Past due 181~365 days	-	2%	-
Past due more than 365 days	11	100%	11
	<b>\$ 119,176</b>		<b>\$ 1,204</b>

The movement in the allowance for notes and accounts receivable was as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 1,204	\$ 1,199
Impairment losses recognized	-	5
Impairment losses reversed	( 103)	-
Balance on December 31	<b>\$ 1,101</b>	<b>\$ 1,204</b>

As of December 31, 2020 and 2019, the accounts receivable and notes receivable for the Company were not pledged as collateral.

(5) Other receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other receivables - Tax receivables	\$ 700	\$ 754
Other receivables - Interest receivables	561	534
Others	1,720	90
Less: Allowance for expected credit losses	-	-
	<b>\$ 2,981</b>	<b>\$ 1,378</b>

A. On February 14, 2020, Belviq was considered to have a higher risk of getting cancer, according to the result of a clinical trial conducted by the US Food and Drug Administration (hereinafter FDA). Therefore, the US FDA requested that Eisai Taiwan Inc., the owner of Belviq drug permit license voluntarily withdraw the drug from the U.S. market. Taiwan FDA also requested the Company to cease the sales of Belviq drug on June 16, 2020.

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According to the terms of the contract signed by the Company and Belviq supplier, Chuangyi Biotech Co., Ltd., the Company have the right to return the goods due to the abovementioned events, and the amount can reliably measure. Other receivables arising from the returned goods have been collected on September 25, 2020.

B. For further credit risk information, please refer to note 6(20).

(6) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Merchandise	\$ 38,325	\$ 61,481
Raw materials and supplies - drug	41,234	-
- testing materials	869	592
Less: Allowance for inventory market decline and obsolescence	( 2,522)	( 3,018)
	<b>\$ 77,906</b>	<b>\$ 59,055</b>

The cost of inventories recognized as operating cost for the years ended December 31, 2020 and 2019 amounted to \$162,670 and \$192,936, respectively. The cost of inventory for the year ended December 31, 2020 included the amount of \$496, resulting from the sale of goods or an increase of net realizable value. The cost for the year ended December 31, 2019 included the amount of \$2,672, which the company wrote down from cost to net realizable value.

As of December 31, 2020 and 2019, the aforesaid inventories were not pledge as collateral.

(7) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	<b>Land</b>	<b>Building and construction</b>	<b>Machinery equipment</b>	<b>Office equipment</b>	<b>Other equipment</b>	<b>Total</b>
<b>Cost</b>						
Balance on January 1, 2020	\$ 5,846	\$ 13,843	\$ 10,538	\$ 3,858	\$ 6,974	\$ 41,059
Additions	-	95	501	1,370	-	1,966
Disposals	-	-	( 1,131)	-	-	( 1,131)
Balance on December 31, 2020	<b>\$ 5,846</b>	<b>\$ 13,938</b>	<b>\$ 9,908</b>	<b>\$ 5,228</b>	<b>\$ 6,974</b>	<b>\$ 41,894</b>
Balance on January 1, 2019	\$ 5,846	\$ 7,145	\$ 11,519	\$ 3,510	\$ 6,974	\$ 34,994
Additions	-	2,307	274	416	-	2,997
Disposals	-	-	( 1,255)	( 68)	-	( 1,323)
Reclassifications	-	4,391	-	-	-	4,391
Balance on December 31, 2019	<b>\$ 5,846</b>	<b>\$ 13,843</b>	<b>\$ 10,538</b>	<b>\$ 3,858</b>	<b>\$ 6,974</b>	<b>\$ 41,059</b>
<b>Accumulated depreciation:</b>						
Balance on January 1, 2020	\$ -	\$ 2,242	\$ 5,488	\$ 2,407	\$ 4,697	\$ 14,834
Depreciation for the year	-	837	909	506	684	2,936
Disposals	-	-	( 1,131)	-	-	( 1,131)
Balance on December 31, 2020	<b>\$ -</b>	<b>\$ 3,079</b>	<b>\$ 5,266</b>	<b>\$ 2,913</b>	<b>\$ 5,381</b>	<b>\$ 16,639</b>

	<b>Land</b>	<b>Building and construction</b>	<b>Machinery equipment</b>	<b>Office equipment</b>	<b>Other equipment</b>	<b>Total</b>
Balance on January 1, 2019	\$ -	\$ 1,845	\$ 5,486	\$ 2,083	\$ 3,995	\$ 13,409

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Depreciation for the year	-	397	1,257	384	702	2,740
Disposals	-	-	(1,255)	(60)	-	(1,315)
Balance on December 31, 2019	<u>\$ -</u>	<u>\$ 2,242</u>	<u>\$ 5,488</u>	<u>\$ 2,407</u>	<u>\$ 4,697</u>	<u>\$ 14,834</u>
Carrying amounts:						
Balance on December 31, 2020	<u>\$ 5,846</u>	<u>\$ 10,859</u>	<u>\$ 4,642</u>	<u>\$ 2,315</u>	<u>\$ 1,593</u>	<u>\$ 25,255</u>
Balance on January 1, 2019	<u>\$ 5,846</u>	<u>\$ 5,300</u>	<u>\$ 6,033</u>	<u>\$ 1,427</u>	<u>\$ 2,979</u>	<u>\$ 21,585</u>
Balance on December 31, 2019	<u>\$ 5,846</u>	<u>\$ 11,601</u>	<u>\$ 5,050</u>	<u>\$ 1,451</u>	<u>\$ 2,277</u>	<u>\$ 26,225</u>

As of December 31, 2020 and 2019, the property, plant and equipment were not pledged as collateral.

(8) Right-of-use assets

The movements in the cost and depreciation of the leased buildings and transportation equipment were as follows:

	<u>Building and construction</u>	<u>Transportation equipment</u>	<u>Total</u>
Costs:			
Balance on January 1, 2020	\$ 8,218	\$ 183	\$ 8,401
Additions	8,783	-	8,783
Reductions	( 8,218 )	( 183 )	( 8,401 )
Balance on December 31, 2020	<u>\$ 8,783</u>	<u>\$ -</u>	<u>\$ 8,783</u>
Balance on January 1, 2019	\$ 8,218	\$ 819	\$ 9,037
Additions	-	183	183
Reductions	-	( 819 )	( 819 )
Balance on December 31, 2019	<u>\$ 8,218</u>	<u>\$ 183</u>	<u>\$ 8,401</u>
Accumulated depreciation:			
Balance on January 1, 2020	\$ 4,109	\$ 101	\$ 4,210
Depreciation for the year	4,109	82	4,191
Other reductions	( 8,218 )	( 183 )	( 8,401 )
Balance on December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balance on January 1, 2019	\$ -	\$ -	\$ -
Depreciation for the year	4,109	289	4,398
Reductions	-	( 188 )	( 188 )
Balance on December 31, 2019	<u>\$ 4,109</u>	<u>\$ 101</u>	<u>\$ 4,210</u>
Carrying amounts :			
Balance on December 31, 2020	<u>\$ 8,783</u>	<u>\$ -</u>	<u>\$ 8,783</u>
Balance on December 31, 2019	<u>\$ 4,109</u>	<u>\$ 82</u>	<u>\$ 4,191</u>
Balance on January 1, 2019	<u>\$ 8,218</u>	<u>\$ 819</u>	<u>\$ 9,037</u>

(9) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2020 and 2019, were as follows:

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	<u>Computer software</u>	<u>Patent and drug permit license</u>	<u>Total</u>
Costs:			
Balance on January 1, 2020	\$ 233	\$ 42,191	\$ 42,424
Additions	463	-	463
Balance on December 31, 2020	<u>\$ 696</u>	<u>\$ 42,191</u>	<u>\$ 42,887</u>
Balance on January 1, 2019	\$ 288	\$ 42,191	\$ 42,479
Additions	141	-	141
Reclassifications	( 196 )	-	( 196 )
Balance on December 31, 2019	<u>\$ 233</u>	<u>\$ 42,191</u>	<u>\$ 42,424</u>
Accumulated amortization and impairment loss:			
Balance on January 1, 2020	\$ 50	\$ 34,135	\$ 34,185
Amortization for the year	105	2,417	2,522
Balance on December 31, 2020	<u>\$ 155</u>	<u>\$ 36,552</u>	<u>\$ 36,707</u>
Balance on January 1, 2019	\$ 189	\$ 31,718	\$ 31,907
Amortization for the year	57	2,417	2,474
Disposals	( 196 )	-	( 196 )
Balance on December 31, 2019	<u>\$ 50</u>	<u>\$ 34,135</u>	<u>\$ 34,185</u>
Carrying amounts :			
Balance on December 31, 2020	<u>\$ 541</u>	<u>\$ 5,639</u>	<u>\$ 6,180</u>
Balance on January 1, 2019	<u>\$ 99</u>	<u>\$ 10,473</u>	<u>\$ 10,572</u>
Balance on December 31, 2019	<u>\$ 183</u>	<u>\$ 8,056</u>	<u>\$ 8,239</u>

A. Amortization expenses

Amortization expenses for intangible assets for the years ended December 31, 2020 and 2019 were recognized in the statement of comprehensive income, were as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Operating expenses	<u>\$ 2,522</u>	<u>\$ 2,474</u>

B. Collateral

As of December 31, 2020 and 2019, the aforementioned intangible assets were not pledged as collateral.

(10) Other current assets and other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other current financial assets	\$ 266,751	\$ 308,660
Other non-current financial assets	625	1,046
Other current assets	28,407	24,880
Refundable deposits	2,636	3,375
	<u>\$ 298,419</u>	<u>\$ 337,961</u>

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- A. Other current financial assets were time deposits which did not meet the definition of cash equivalents. For further credit and market risk information, please refer to note 6(20).
- B. Major of other current assets were prepayments. As the testing business was not as expected, the Company took the future cash flow and recoverable amount into account, and recognized an impairment loss amounting to \$4,583 for the year ended December 31, 2020.

(11) Other payables

The nature of other payables was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salaries	\$ 22,297	\$ 30,419
Research expenses	25,033	26,894
Commission	1,465	1,869
Others	21,323	22,056
	<u>\$ 70,118</u>	<u>\$ 81,238</u>

(12) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	<u>\$ 4,365</u>	<u>\$ 4,216</u>
Non-current	<u>\$ 4,418</u>	<u>\$ -</u>

For the maturity analysis, please refer to note 6(20).

The amounts recognized in profit or loss were as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 27</u>	<u>\$ 82</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 300</u>	<u>\$ 207</u>
Expenses relating to short-term leases	<u>\$ 41</u>	<u>\$ 206</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 172</u>	<u>\$ 154</u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	<u>\$ 4,755</u>	<u>\$ 5,020</u>

A. Real estate leases

On January 1 and July 1, 2019, the Company leased buildings for its office and plant. The leases of office and plant typically run for a period of 2 years and 13.5 years, respectively. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The lease payment of the plant contract is calculated on basis of the purchase quantity of the plant leased by the Company during the lease period. It is a variable lease payment that is not included in the measurement of the lease liability. Therefore, the Company will pay the relevant lease payment during the lease period to recognize the expense.

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B. Other leases

The Company leases transportation equipment, with lease term of 1.5 years.

In addition, the Company leases some of transportation equipment and office equipment, with lease terms of 1 to 5 years, these leases are leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(13) Employee benefits

Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Selling expenses	\$ 2,970	\$ 2,374
Administrative expenses	1,223	709
Research and development expenses	320	382
	<b>\$ 4,513</b>	<b>\$ 3,465</b>

(14) Income taxes

A. Income tax expense

The components of income tax in the years 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense		
Current period	\$ 15,786	\$ 15,898
Adjustment for prior periods	( 641)	14
	15,145	15,912
Deferred income tax expense		
Origination and reversal of temporary differences	517	2,116
Income tax expenses	<b>\$ 15,662</b>	<b>\$ 18,028</b>

There was no income tax recognized directly in equity and other comprehensive income for 2020 and 2019.



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Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before income tax	\$ 77,232	\$ 103,355
Income tax using the Company's domestic tax rate	\$ 15,446	\$ 20,671
Tax-exempt income	( 1,284)	( 1,209)
Tax incentives	( 1,032)	( 3,142)
Change in provision in prior periods	( 641)	14
Surtax on unappropriated retained earnings	384	-
Income basic tax	467	-
Others	2,322	1,694
	<b>\$ 15,662</b>	<b>\$ 18,028</b>

**B. Deferred tax assets**

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	<b>Impairment loss</b>	<b>Loss from inventory devaluation</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax assets:</b>				
Balance on January 1, 2020	(\$ 706)	(\$ 604)	(\$ 463)	(\$ 1,773)
Recognized in profit or loss	212	99	206	517
Balance on December 31, 2020	<b>(\$ 494)</b>	<b>(\$ 505)</b>	<b>(\$ 257)</b>	<b>(\$ 1,256)</b>
Balance on January 1, 2019	(\$ 919)	(\$ 69)	(\$ 2,924)	(\$ 3,912)
Recognized in profit or loss	213	( 535)	2,461	2,139
Balance on December 31, 2019	<b>(\$ 706)</b>	<b>(\$ 604)</b>	<b>(\$ 463)</b>	<b>(\$ 1,773)</b>

**C. Deferred tax liabilities**

Changes in the amount of deferred tax liabilities for 2020 and 2019 were as follows:

	<b>Impairment loss</b>	<b>Loss from inventory devaluation</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax liabilities:</b>				
Balance on January 1, 2019	\$ -	\$ -	\$ 23	\$ 23
Recognized in profit or loss	-	-	( 23)	( 23)
Balance on December 31, 2019	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**D. Assessment of tax**

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

**(15) Capital and other equity**

As of December 31, 2020 and 2019, the authorized capital of the Company amounted to \$1,000,000 and \$5,000,000, with par value of \$10 per share, which consisting of 100,000 thousand shares and 50,000 thousand shares of ordinary stock, respectively. The paid-in capital was

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\$383,981 which consisting of 38,398 thousand shares. All proceeds from shares issued have been collected.

**A. Capital surplus**

The balances of capital surplus as of December 31, 2020 and 2019 were as following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Share Capital	<b>\$ 458,977</b>	<b>\$ 458,977</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

**B. Retained earnings**

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the proposal by the Board of Directors and submitted to the stockholders' meeting for approval.

To enhance the Company's financial structure and maintain investors' equity, the Company adopts a stable dividends policy in which earnings distribution cannot be less than 50% of distributable earnings, and cash dividends payment has to be 50% of the distribution.

**(A) Legal reserve**

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

**(B) Earnings distribution**

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on May 29, 2020 and June 18, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	<b>For the years ended December 31,</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount per share (dollars)</b>	<b>Total amount</b>	<b>Amount per share (dollars)</b>	<b>Total amount</b>
Dividends distributed to ordinary shareholders:				
Cash	<b>\$ 1.80</b>	<b>\$ 69,117</b>	<b>\$ 1.60</b>	<b>\$ 61,437</b>

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C. Other equity interests

	<b>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</b>
Balance on January 1, 2020	\$ 106,749
Unrealized gains on financial assets measured at fair value through other comprehensive income	8,928
Disposal of equity instruments measured at fair value through other comprehensive income	( 98,917)
Balance on December 31, 2020	<b>\$ 16,760</b>
Balance on January 1, 2019	\$ 126,557
Unrealized losses on financial assets measured at fair value through other comprehensive income	( 19,808)
Balance on December 31, 2019	<b>\$ 106,749</b>

(16) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Basic earnings per share		
Net income attributable to ordinary shareholders	\$ 61,570	\$ 85,327
Weighted-average number of ordinary shares	38,398	38,398
	<b>\$ 1.60</b>	<b>\$ 2.22</b>
Diluted earnings per share		
Net income attributable to ordinary shareholders (after adjustment of dilutive potential ordinary shares)	\$ 61,570	\$ 85,327
Weighted-average number of ordinary shares	38,398	38,398
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	32	32
Weighted-average number of ordinary shares (after adjustment of dilutive potential ordinary shares)	<b>38,430</b>	<b>38,430</b>
	<b>\$ 1.60</b>	<b>\$ 2.22</b>

(17) Revenue from contracts with customers

A. Disaggregation of revenue

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Major products/service lines:		
Pharmaceuticals	\$ 424,851	\$ 454,132
Test	20,898	20,943
Services	2,113	32,591
	<b>\$ 447,862</b>	<b>\$ 507,666</b>

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B. Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Notes receivable	\$ 15,577	\$ 19,637	\$ 19,889
Accounts receivable (included related parties)	94,403	99,539	97,234
Less: Allowance for expected credit losses	( 1,101)	( 1,204)	( 1,199)
<b>Total</b>	<b>\$ 108,879</b>	<b>\$ 117,972</b>	<b>\$ 115,924</b>
Contract liabilities	<b>\$ -</b>	<b>\$ 2,483</b>	<b>\$ 1,989</b>

For details on notes receivable, accounts receivable and allowance for expected credit losses, please refer to note 6 (4)

The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$2,483 and \$1,989, respectively.

Contract liabilities are mainly caused by receipts in advance due to sales contracts. Revenue will be recognized when the products are delivered to customers.

(18) Remuneration to employees and directors

According to the Company's articles of incorporation, the Company should contribute 2% to 8% of annual profits as employee compensation and no more than 2% of annual profits as directors' remuneration when there is profit for the year. Directors' remuneration can only be settled in the form of cash. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of employee compensation and directors' remuneration is reported to shareholders' meeting. The recipients of employee compensation may include the employees of the Company's affiliated companies who meet certain conditions.

For the year ended December 31, 2020 and 2019, the Company estimated its employee compensation amounting to \$1,609 and \$1,609 and directors' remuneration amounting to \$2,153 and \$2,153, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These compensation and remunerations recognized as operating expenses during 2020 and 2019. There was no difference between the amount of employees' and directors' remuneration resolved at the Board of Directors meeting and the amount stated in the parent company only financial statements for 2020 and 2019. Related information is available on the Market Observation Post System website.

(19) Non-operating income and expenses

A. Interest income

The details of interest income for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest income from bank deposits	<b>\$ 2,238</b>	<b>\$ 2,843</b>

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B. Other income

The details of other income for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Rent income	\$ 57	\$ 60

C. Other gains and losses

The details of other gains and losses for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains (losses)	\$ 406	(\$ 1,748)
Dividend income	6,420	6,315
Losses on disposals of property, plant and equipment	-	( 8)
Losses (gains) on financial assets at fair value through profit or loss	( 1,558)	378
Impairment loss	( 4,583)	-
Others	( 25)	39,399
	<b>\$ 660</b>	<b>\$ 44,336</b>

D. Finance costs

The details of finance costs for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Other finance costs - Interest expenses	\$ 27	\$ 82

(20) Financial instruments

A. Credit risk

(A) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(B) Concentration of credit risk

The Company's concentration of credit risk on the top one customer accounted for 16% and 12% of the total receivables as of December 31, 2020 and 2019, respectively. The concentration of credit risk accounted for 19% and 11% from the other top 10 customers of the Company of total receivables, respectively.

(C) Credit risk of accounts receivables and debt securities

For credit risk exposure of notes and accounts receivables, please refer to note 6 (4).

Other financial assets at amortized cost includes other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (6). There were no recognition and reversal of impairment losses for the years ended December 31,

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2020 and 2019. The balance as of December 31, 2020 and 2019 are both zero.

**B. Liquidity risk**

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>2~3 years</u>	<u>4~5 years</u>
<b>December 31, 2020</b>					
Non-derivative financial liabilities					
Notes and accounts payable (including related parties)	\$ 7,418	\$ 7,418	\$ 7,418	\$ -	\$ -
Other payables	70,118	70,118	70,118	-	-
Lease liabilities	8,783	8,892	4,446	4,446	-
	<u>\$ 86,319</u>	<u>\$ 86,428</u>	<u>\$ 81,982</u>	<u>\$ 4,446</u>	<u>\$ -</u>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Notes and accounts payable (including related parties)	\$ 41,108	\$ 41,108	\$ 41,108	\$ -	\$ -
Other payables	81,238	81,238	81,238	-	-
Lease liabilities	4,216	4,242	4,242	-	-
	<u>\$ 126,562</u>	<u>\$ 126,588</u>	<u>\$ 126,588</u>	<u>\$ -</u>	<u>\$ -</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

**C. Currency risk**

**(A) Exposure to foreign currency risk**

The Company's significant exposure to foreign currency risk were as follows:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD	\$ 251	28.48	\$ 7,135	\$ 371	30.03	\$ 11,153
CNY	2,247	4.377	9,788	2,200	4.330	9,527
EUR	104	35.02	4,061	1,187	33.79	40,092

**(B) Sensitivity analysis**

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents that is denominated in foreign currency. A strengthening (weakening) 1% of the TWD against the USD, CNY, and EUR as of December 31, 2020 and 2019 would have increased (decreased) the net profit after tax by \$168 and \$608, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

**(C) Foreign exchange gain and loss on monetary items**

Information on the foreign exchange gains or losses, including these realized and unrealized by significant foreign currency, were as follows:

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	For the years ended December 31,			
	2020		2019	
	Foreign exchange gains (losses)	Average exchange rate	Foreign exchange gains (losses)	Average exchange rate
USD	( 458)	-	( 402)	-
CNY	109	-	( 40)	-
EUR	755	-	( 1,303)	-
GBP	-	-	( 3)	-

D. Interest rate analysis: None

E. Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analysis for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

	For the years ended December 31,			
	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increasing 10%	<u>\$ 30,302</u>	<u>\$ -</u>	<u>\$ 47,688</u>	<u>\$ 470</u>
Decreasing 10%	<u>(\$ 30,302)</u>	<u>\$ -</u>	<u>(\$ 47,688)</u>	<u>(\$ 470)</u>

F. Fair value of financial instruments

(A) Categories of financial instruments and fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through other comprehensive income</b>					
Domestic listed stocks	\$ 176,970	\$ 176,970	\$ -	\$ -	\$ 176,970
Domestic OTC stocks	62,216	62,216	-	-	62,216
Domestic emerging stocks	14,563	-	-	14,563	14,563
Foreign unlisted stocks	49,271	-	-	49,271	49,271
Subtotal	<u>303,020</u>	<u>239,186</u>	<u>-</u>	<u>63,834</u>	<u>303,020</u>

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		<b>December 31, 2020</b>				
		<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	396,701	\$ -	\$ -	\$ -	-
Notes and accounts receivable (including related parties)		108,879	-	-	-	-
Other receivables		2,981	-	-	-	-
Other financial assets		267,376	-	-	-	-
Refundable deposits		2,636	-	-	-	-
Subtotal		<u>778,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u><b>\$ 1,081,593</b></u>	<u><b>\$ 239,186</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 63,834</b></u>	<u><b>\$ 303,020</b></u>
Financial liabilities at amortized cost						
Notes and accounts payable (including related parties)	\$	7,418	\$ -	\$ -	\$ -	-
Other payables		70,118	-	-	-	-
Lease liabilities		8,783	-	-	-	-
Subtotal		<u>86,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u><b>\$ 86,319</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
		<b>December 31, 2019</b>				
		<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Financial assets at fair value through profit or loss</b>						
	\$	5,874	\$ 5,874	\$ -	\$ -	\$ 5,874
<b>Financial assets at fair value through other comprehensive income</b>						
Domestic listed stocks	\$	201,871	\$ 201,871	\$ -	\$ -	\$ 201,871
Domestic OTC stocks		144,446	144,446	-	-	144,446
Domestic emerging stocks		81,287	78,278	-	3,009	81,287
Foreign unlisted stocks		49,271	-	-	49,271	49,271
Subtotal		<u>476,875</u>	<u>424,595</u>	<u>-</u>	<u>52,280</u>	<u>476,875</u>
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	224,212	\$ -	\$ -	\$ -	-
Notes and accounts receivable (including related parties)		117,972	-	-	-	-
Other receivables		1,378	-	-	-	-
Other financial assets		309,706	-	-	-	-
Refundable deposits		3,375	-	-	-	-
Subtotal		<u>656,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u><b>\$ 1,139,392</b></u>	<u><b>\$ 430,469</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 52,280</b></u>	<u><b>\$ 482,749</b></u>
Financial liabilities at amortized cost						
Notes and accounts payable (including related parties)	\$	41,108	\$ -	\$ -	\$ -	-
Other payables		81,238	-	-	-	-
Lease liabilities		4,216	-	-	-	-
Subtotal		<u>126,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u><b>\$ 126,562</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>



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(B) Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- a. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(C) Valuation techniques for financial instruments not measured at fair value

The Company estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

Cash and cash equivalents, accounts receivables, other financial assets, notes payable and accounts payable are either close to their expiry date, or their future receivable or payable are close to their carrying value; thus, their fair value are estimated from the book value of the balance sheet date.

(D) Valuation techniques for financial instruments measured at fair value

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the financial instruments held by the Company are determined by reference to the market quotation.

If the financial instruments held by the Company have no active market, their fair values are listed as follows according to their categories and attributes:

- Equity instruments without public quotation: The fair value is estimated by using a discounted cash flow model. The main assumption is that the expected future cash flow of the investee will be discounted at the rate of return that reflects the time value of money and investment risk.
- Equity instruments without public quotation: The fair value is measured by using the transaction prices of the stocks of companies engaged in the same or similar businesses in the active market, the value multipliers implied by these prices, and related transaction information to determine the value of the financial instruments, as well as adjusted for considering liquidity discount.

(E) Transfer between level 1 and level 3

The Company holds an investment in emerging stock of Chuang Yi Biotech Co., Ltd., which

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is accounted for under financial assets at fair value through other comprehensive income. As the fair value of the investment without an active market and use of significant unobservable inputs, which was categorized as Level 3 as of December 31, 2019. And the fair value measured was transferred from level 1 to level 3 as of December 31, 2019. There were no transfers in 2020 and 2019.

(F) Reconciliation of level 3 fair values:

	<b>Fair value through other comprehensive income</b>
	<b>Equity instruments without quoted price</b>
Balance as of January 1, 2020	\$ 52,280
Recognized in other comprehensive income	11,554
Balance as of December 31, 2020	<b>\$ 63,834</b>
Balance as of January 1, 2019	\$ -
Recognized in other comprehensive income	( 37,243 )
Purchased	49,271
Reclassified	40,252
Balance as of December 31, 2019	<b>\$ 52,280</b>

(G) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include financial assets at fair value through other comprehensive income - equity investments.

The significant unobservable inputs of the equity investments without an active market are individually, and there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income— equity investments without an active market	Discounted cash flow method	<ul style="list-style-type: none"> <li>• Weighted average cost of capital (as of December 31, 2020 and 2019, the rate were 13.32% and 14.27%, respectively)</li> <li>• Discount for lack of market liquidity (as of December 31, 2020 and 2019, the rate were both 20.6%)</li> <li>• Discount for lack of market liquidity (as of December 31, 2020 and 2019, the rate were 30% and 17.5%, respectively)</li> </ul>	<p>The estimated fair value would decrease if:</p> <ul style="list-style-type: none"> <li>• WACC was higher;</li> <li>• The discount for lack of market liquidity was higher</li> </ul>
Financial assets at fair value through other comprehensive income— equity investments without an active market	Comparable companies method	<ul style="list-style-type: none"> <li>• Discount for lack of market liquidity (as of December 31, 2020 and 2019, the rate were 30% and 17.5%, respectively)</li> </ul>	<p>The estimated fair value would decrease if the discount for lack of market liquidity was higher.</p>

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(H) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is deemed reasonable. However, use of different valuation models or assumptions may lead to different results. The following is the effect on other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

	<u>Input value</u>	<u>Degree of variation</u>	<u>Recognized in other comprehensive income</u>	
			<u>Favourable change</u>	<u>Unfavourable change</u>
<b>December 31, 2020</b>				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount rate	1%	341 (	341)
<b>December 31, 2019</b>				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount rate	1%	683 (	683)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(21) Financial risk management

A. Overview

The Company is exposed to the following risks from its financial instruments:

- (A) Credit risk
- (B) Liquidity risk
- (C) Market risk

The following likewise discusses the Company's objectives, policies, and processes for measuring and managing the above mentored risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying financial statements.

B. Structure of risk management

The objective of the Company's financial risk management is to manage foreign exchange risk, interest rate risk, credit risk and liquidity risk related to operating activities. In order to reduce adverse effects on the financial performance, the Company identifies, evaluates and hedges market uncertainties.

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The important financial activities of the Company are reviewed in accordance with relevant regulations and internal control systems approved by the Board of Directors. When performing financial plan, the Company must comply with the overall financial risk management and the authorized procedure of financial operating.

**C. Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

**(A) Accounts receivable and other receivables**

The Company's credit policy is to transact with creditworthy customers and to obtain collateral to mitigate risks arising from financial loss due to default. The Company transacts with customers with credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company assesses the ratings based on other publicly available financial information and the records of transactions with its customers. The Company continuously monitor the exposure to credit risk and counterparty credit ratings, and to evaluate the customers' credit ratings and credit limits via annual review and approval by the finance department to manage the credit exposure.

The Company did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

**(B) Investments**

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any of the counterparties above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

**(C) Guarantees**

As of December 31, 2020 and 2019, the Company did not provide any endorsement or guarantee.

**D. Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**F. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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(22) Capital management

Based on the characteristics of the current operating industry and the future development of the Company, and considered changes in the external environment, the Company plans the requirement of working capital, research and development expenses, and dividend payments in the future to ensure that the Company to continue to operate, to provide a return on shareholders, to maintain the interests of other stakeholders and to maintain an optimal capital structure to enhance shareholder value.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, issue new shares, reduce the capital for redistribution to shareholders, or buy back the stocks of the Company.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total amount of capital represents all the equity components (that is, share capital, capital surplus, retained earnings, and other equity) plus net debt.

The Company's debt-to-equity ratio as of December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 103,036	\$ 138,792
Less: cash and cash equivalents	( 396,701)	( 224,212)
Net debt	( 293,665)	( 85,420)
Total capital	1,126,344	1,124,963
Adjusted capital	<u>\$ 832,679</u>	<u>\$ 1,039,543</u>
Debt to equity ratio	<u>( 35.27% )</u>	<u>( 8.22% )</u>

(23) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019, were as follows:

A. Acquisition of right-of-use assets under leases, please refer to note 6(8).

B. The Company's investing activities from acquisition of property, plant and equipment which did not affect the current cash flow for the years ended December 31, 2020 and 2019, were as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Additions of property, plant and equipment	\$ 1,966	\$ 2,997
Net changes on other payable	( 50)	-
Cash payment for acquisition of property, plant and equipment	<u>\$ 1,916</u>	<u>\$ 2,997</u>

C. Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1,</u>		<u>Non-cash</u>		<u>December 31,</u>
	<u>2020</u>	<u>Cash flow</u>	<u>changes</u>		<u>2020</u>
			<u>Others</u>		
Lease liabilities	<u>\$ 4,216</u>	<u>(\$ 4,216)</u>	<u>\$ 8,783</u>	<u>\$ 8,783</u>	

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	January 1, 2019	Cash flow	Non-cash changes Others	December 31, 2019
Lease liabilities	\$ 9,037	(\$ 4,371)	\$ 450	\$ 4,216

## 7. Related-party transactions

### (1) Parent company and ultimate controlling company

TTY Biopharm Company Limited is both the parent company and the ultimate controlling party of the Company.

### (2) Names and relationship with related parties

The followings are entities that have transactions with related party during the periods covered in the financial statements.

Name of related parties	Relationship with the Company
TTY Biopharm Company Limited	Parent company
American Taiwan Biopharm(Thailand)	Other related party
Chuangyi Biotech Co., Ltd.	Other related party

### (3) Significant related-party transactions

#### A. Operating revenue

The amounts of significant sales by the Company to its related parties were as follows:

	For the years ended December 31,	
	2020	2019
Parent company- TTY Biopharm Company Limited	\$ 1,947	\$ 1,466
Other related parties	5,239	4,667
	\$ 7,186	\$ 6,133

The selling price and payment terms to related parties were not significantly different from those of sales to third parties. The collection terms for sales to related parties were month-end 60 days, or 14 days after the date of shipment. The collection terms for commission were month-end 30 to 90 days.

#### B. Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31,	
	2020	2019
Parent company- TTY Biopharm Company Limited	\$ 39,716	\$ 128,895
Other related parties	( 25,908 )	20,520
	\$ 13,808	\$ 149,415

Note: The reason of negative purchase amount with Chuangyi Biotech Co., Ltd for the year ended December 31, 2020, please refer to note 6(5).

The pricing and payment terms with related parties were not materially different from those of purchases with third parties. The payment terms for purchases from related parties were month-

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end 30 and 90 days.

C. Receivables from related parties

The amounts of receivables from related parties were as follows:

<u>Items</u>	<u>Related Party Categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Parent company	\$ 438	\$ 502
Accounts receivable	Other related parties	1,983	15
Other receivables	Other related parties	65	-
		<b><u>\$ 2,486</u></b>	<b><u>\$ 517</u></b>

D. Payables to related parties

The amounts of payables to related parties were as follows:

<u>Items</u>	<u>Related Party Categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable- related parties	Parent company	\$ 3,114	\$ 17,658
Accounts payable- related parties	Other related parties	-	15,091
Notes payable- related parties	Other related parties	-	5
Other payables	Parent company	1,731	5,558
		<b><u>\$ 4,845</u></b>	<b><u>\$ 38,312</u></b>

F. Lease

The Company leases offices and equipments from the parent company, and the refundable deposits both amounted to \$693 as of December 31, 2020 and 2019.

In January, 2019, the Company signed a period of 2 years lease contract with the parent company for office and equipment, with a total contract amount of \$8,320. In addition, the Company and the parent company signed a new two-year lease contract of \$8,892 on December 17, 2020 to lease office and equipment. The interest expenses of \$27 and \$75 were recognized for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the balances of lease liabilities were \$ 8,783 and \$4,134, respectively.

G. Others

(A) For the years ended December 31, 2020 and 2019, the operating expenses paid by the Company to the parent company or other related parties due to the operating and business transactions amounted to \$6,430 and \$7,279, respectively.

(B) Details of the purchase of ordinary shares of Chuangyi Biotech Co., Ltd., the Company's other related party, for the year ended December 31, 2019, please refer to note 6 (3).

(C) The processing expense paid by the Company to the parent company for the processing of drugs amounted to \$58,043, which was recognized as operating cost for the year ended December 31, 2020.

(4) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 15,200	\$ 17,726
Post-employment benefits	536	502
	<b><u>\$ 15,736</u></b>	<b><u>\$ 18,228</u></b>

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**8. Pledged assets: None.**

**9. Significant commitments and contingencies**

As of December 31, 2020 and 2019, the unrecognized contractual commitments of the Company were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Contract with other units for research and development	<u>\$ 122,787</u>	<u>\$ 128,441</u>
Acquisition of intangible assets	<u>3,000</u>	<u>-</u>
Purchase of raw materials	<u>\$ 185,600</u>	<u>\$ 215,800</u>

**10. Losses due to major disasters: None.**

**11. Subsequent events: None.**

**12. Others**

(1) The followings are the summary of employee benefits, depreciation, and amortization by function for the years ended December 31, 2020 and 2019:

By function	For the years ended December 31,					
	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
By item						
Employee benefits						
Salary	-	93,968	93,968	-	113,143	113,143
Labor and health insurance	-	6,914	6,914	-	6,548	6,548
Pension	-	4,513	4,513	-	3,465	3,465
Director's remuneration	-	4,397	4,397	-	3,797	3,797
Others	-	3,222	3,222	-	9,214	9,214
Depreciation	-	7,127	7,127	-	7,138	7,138
Amortization	-	2,522	2,522	-	2,474	2,474

Additional information on the number of employees and employee benefits of the Company for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Number of employees	<u>76</u>	<u>83</u>
Number of directors who were not employees	<u>7</u>	<u>7</u>
Average of employees benefits	<u>\$ 1,574</u>	<u>\$ 1,742</u>
Average of salary	<u>\$ 1,362</u>	<u>\$ 1,489</u>
Average adjustment of salary	<u>( 8.53% )</u>	<u>17.34%</u>
Supervisor's remuneration	<u>\$ -</u>	<u>\$ -</u>

The Company's salary and remuneration policy (including directors, managers and employees) were as follows:

A. The Company has constructed a salary structure table of different job attributes and ranks based



**TSH Biopharm Corporation Ltd.**  
**Notes to the Parent Company Only Financial Statements**

on market standards and salary conditions in the same industry, and reviewed it based on the industry salary adjustment reports from time to time.

**B. Annual salary adjustment**

When the Company adjusted the annual salary, the main factors considered by the Company were as follows:

- (A) Price index rate: The price index rate announced by the government is considered when the annual salary is adjusted.
- (B) Industry salary adjustment: The industry salary adjustment of market surveys, which was also one of the main indicators to determine the average salary adjustment.
- (C) Company's operating conditions: This is an important indicator to determine the average salary adjustment.
- (D) The market salary level of important positions in the Company.

**(2) Others:**

The Company donated \$6,485 and \$6,715 to related medical foundation and associations to support non-profit organizations developing drugs, promoting disease prevention and correct dosages for the year ended December 31, 2020 and 2019, respectively.

**(3) The impact of the COVID-19:**

The Company was affected by the COVID-19 this year, and its testing business was not as expected. After evaluation, the Company recognized impairment losses on prepayment. Please refer to note 6(10) 2.

**13. Other disclosures**

**(1) Information on significant transactions**

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Securities held as of December 31, 2020 (excluding those investments in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
TSH Biopharm Corporation Ltd.	Lumosa Therapeutics Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	1,765	62,216	1.50 %	62,216	
"	Fubon Financial Holding Co., Ltd. Preferred stock B	-	Non-current financial assets at fair value through other comprehensive income	2,500	156,250	0.38 %	156,250	
"	Union Bank of Taiwan Preferred stock A	-	"	400	20,720	0.20 %	20,720	
"	CellMax Ltd. Preferred stock	-	"	1,593	49,271	2.03 %	49,271	
"	Chuangyi Biotech Co., Ltd.	-	"	1,320	14,563	4.89 %	14,563	

**TSH Biopharm Corporation Ltd.**  
**Notes to the Parent Company Only Financial Statements**

D. Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
TSH Biopharm Corporation Ltd.	Lumosa Therapeutics Co., Ltd.	Current financial assets at fair value through other comprehensive income	-	-	4,199	144,446	-	-	2,434	111,433	110,940	493	1,765	62,216

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
TSH Biopharm Corporation Ltd.	TTY Biopharm Company Limited	Parent company	Purchases	97,759	53%	30 days	Normal	-	(3,114)	(42)%	

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

I. Trading in derivative instruments: None.

(2) Information on investees: None.

(3) Information on investment in mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: None.

B. Limitation on investment in Mainland China: None.

C. Significant transactions: None.

(4) Major shareholders:

Shareholder's name	Shareholding Total shares owned	Percentage of ownership (%)
TTY Biopharm Company Limited	21,687,177	56.47%
Hong, Ding-Wei	3,205,730	8.34%
Pan, Ya-Chi	2,825,000	7.35%

#### 14. Segment information

The Company has one reportable segment. The information of segment revenue, profit or loss and assets are in line with the parent company only financial statements. Please refer to the balance sheets and statements of comprehensive income.

(1) Geographic information

The Company's main revenue is from domestic.

**TSH Biopharm Corporation Ltd.**  
**Notes to the Parent Company Only Financial Statements**

(2) Information on products

The Company's operating revenue is mainly from pharmaceuticals, chemical drugs and biotechnology services.

(3) Major customer

Major customer information of the Company for the years ended December 31, 2020 and 2019 were as follows :

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
A403001	<b>\$ 72,800</b>	<b>\$ 52,054</b>

**TSH Biopharm Corporation Ltd.**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2020**

(Expressed in thousands of New Taiwan dollars)

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Petty cash		\$ 230
Cash in banks	Checking accounts	129
	Demand deposits	392,474
	Foreign currency deposits	3,868
		396,471
		<b>\$ 396,701</b>

**TSH Biopharm Corporation Ltd.**

**Statement of Notes Receivable**

**December 31, 2020**

(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
A403001		\$ 9,359	
G351001F		3,099	
HBAC002		2,905	
G330043D		2,810	
HAAF001		2,716	
HBAU001		2,329	
FTH0001		1,983	
HAAB001		1,716	
HBAC002K		1,698	
G433003		1,599	
Other		64,189	
Less: Allowance for expected credit losses		( 1,101 )	
Net amount		<u>\$ 93,302</u>	

**TSH Biopharm Corporation Ltd.**  
**Statement of Other Financial Assets - Current**  
**December 31, 2020**

(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Other financial assets - current	Time deposits over 3 months	<u>\$ 266,751</u>	

**TSH Biopharm Corporation Ltd.**

**Statement of Financial Assets at Fair Value Through Other Comprehensive Income - Current**

**December 31, 2020**

(Expressed in thousands of New Taiwan dollars)

Name of investee	Beginning Balance			Additions		Reduction		Ending Balance			Collateral
	Shares	Percentage of ownership (%)	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership (%)	Amount	
Lumosa Therapeutics Co., Ltd.	4,199,000	3.57%	\$ 144,446	-	\$ -	2,434,000	\$ 82,230	1,765,000	1.50%	\$ 62,216	None
Cathay Financial Holdings	124,126	-%	5,281	-	-	124,126	5,281	-	-%	-	"
			<u>\$ 149,727</u>		<u>\$ -</u>		<u>( \$ 87,511)</u>			<u>\$ 62,216</u>	

**TSH Biopharm Corporation Ltd.**

**Statement of Financial Assets at Fair Value Through Other Comprehensive Income –Noncurrent**

**December 31, 2020**

(Expressed in thousands of New Taiwan dollars)

Name of investee	Beginning Balance			Additions		Decrease		Ending Balance			Collateral
	Shares	Percentage of ownership (%)	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership (%)	Amount	
Handa Pharmaceuticals, Inc.	2,625,000	2.27%	\$ 78,278	-	\$ -	2,625,000	\$ 78,278	-	-%	\$ -	None
Fubon Financial Holdings	300,000	-%	13,920	-	-	300,000	13,920	-	-%	-	"
Fubon Financial Holdings Co., Ltd. Preferred Stock B	2,500,000	0.38%	160,750	-	-	-	4,500	2,500,000	0.38%	156,250	"
Union Bank of Taiwan Preferred Stock A	400,000	0.20%	21,920	-	-	-	1,200	400,000	0.20%	20,720	"
Chuangyi Biotech Co., Ltd.	1,319,808	4.89%	3,009	-	11,554	-	-	1,319,808	4.89%	14,563	"
CellMax Ltd.	1,592,516	2.03%	49,271	-	-	-	-	1,592,516	2.03%	49,271	"
			<u>\$ 327,148</u>		<u>\$ 11,554</u>		<u>\$ 97,898</u>			<u>\$ 240,804</u>	



**TSH Biopharm Corporation Ltd.**

**Statement of Others Payables**

**December 31, 2020**

**(Expressed in thousands of New Taiwan dollars)**

Please refer to note 6(11)

**TSH Biopharm Corporation Ltd.**  
**Statement of Operating Revenue**  
**For the year ended December 31, 2020**  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue:			
Lozenges	161,711,887	\$ 425,587	
Capsules	2,258,400	6,939	
Injections	66,110	3,786	
Sales revenue subtotal		436,312	
Testing revenue		21,058	
Service revenue		2,113	
Total		<u>459,483</u>	
Less: Sales returns and allowances		( 11,621 )	
Net revenue		<u><u>\$ 447,862</u></u>	

**TSH Biopharm Corporation Ltd.**  
**Statement of Operating Costs**  
**For the year ended December 31, 2020**  
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Raw materials and supplies	
Add: Raw material, beginning of the year	\$ 592
Add: Purchase	96,108
Gain on physical inventory	137
Less: Raw materials, end of the year	( 42,103 )
Return on raw material	( 31,166 )
Reclassification	( 40 )
Transferred to expenses and losses	( 374 )
Raw materials consumed	23,154
Add: Outsourcing testing expenses	69,225
Cost of testing service	92,379
Merchandise	
Add: Merchandise, beginning of the year	\$ 61,481
Purchased	49,089
Reclassification	40
Less: Merchandise, end of the year	( 38,325 )
Transferred to expenses and losses	( 1,792 )
Cost of Merchandise sold	162,872
Add: Gain from price recovery of inventory	( 496 )
Gain on physical inventory	( 137 )
Scrap	431
Operating costs	\$ 162,670

**TSH Biopharm Corporation Ltd.**  
**Statement of Operating Expenses**  
**For the year ended December 31, 2020**

(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>	<u>Total</u>
Salaries	\$ 60,423	\$ 30,797	\$ 7,145	\$ 98,365
Meal expenses	1,488	453	206	2,147
Pension	2,970	1,223	320	4,513
Insurance expense	4,895	1,867	587	7,349
Royalty expense	198	-	-	198
Rent expense	-	214	300	514
Traveling expenses	1,531	89	48	1,668
Freight	460	855	48	1,363
Advertising expense	5,557	757	10	6,324
Post and telecommunications	408	530	63	1,001
Entertainment expenses	6,827	436	-	7,263
Donation	6,267	80	138	6,485
Depreciation	398	5,600	1,129	7,127
Amortization	2,452	70	-	2,522
Commission expenses	9,121	-	-	9,121
Professional service fees	2,507	3,333	509	6,349
Sample cost	1,516	4	50	1,570
Research expense	1,184	-	16,750	17,934
Meeting expense	5,603	219	11	5,833
Transportation expense	4,570	541	45	5,156
Employee welfare	-	903	-	903
Others	6,461	9,503	1,322	17,286
<b>Total</b>	<b><u>\$ 124,836</u></b>	<b><u>\$ 57,474</u></b>	<b><u>\$ 28,681</u></b>	<b><u>\$ 210,991</u></b>