

**TSH BIOPHARM CORPORATION LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE SIX MONTHS ENDED
JUNE 30, 2021 AND 2020**

Address : 3F-1, No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)

Telephone No. : 02-26558525

For the convenience of readers and for information purpose only, the independent auditors' review 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' review report and financial statements shall prevail.

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INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of TSH Biopharm Corporation Ltd.

Introduction

We have reviewed the accompanying balance sheets of TSH Biopharm Corporation Ltd. (“the Company”) as of June 30, 2021 and 2020, and the related the statements of comprehensive income, changes in equity and cash flows for the three months and six months ended June 30, 2021 and 2020, respectively, and notes to the parent company only financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the parent company only financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards 65, “ Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the parent company only financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying parent company only financial statements do not present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and of its financial performance and its cash flows for the three months and six months ended June 30, 2021 and 2020, respectively, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Shin-Chin Chih and Kuo-Yang Tseng.

KPMG

Taipei, Taiwan (Republic of China)

August 3, 2021

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

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

Reviewed only, not audited in accordance with the generally accepted auditing standards

TSH Biopharm Corporation Ltd.

Balance Sheets

June 30, 2021, December 31, 2020 and June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

	June 30, 2021		December 31, 2020		June 30, 2020			June 30, 2021		December 31, 2020		June 30, 2020			
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%		
Assets							Liabilities and Equity								
Current assets:							Current liabilities:								
1100 Cash and cash equivalents (notes 6(1) and (19))	\$ 452,507	36	396,701	32	275,491	22	2150	Notes payable (note 6(19))	\$ 161	-	1,469	-	810	-	
1120 Current financial assets at fair value through other comprehensive income (notes 6(2) 、(19) and 13)	50,036	4	62,216	5	164,391	13	2170	Accounts payable (note 6(19))	3,654	-	2,835	-	16,574	1	
1150 Notes receivable, net (notes 6(3) 、(16) and (19))	18,649	1	15,577	1	13,106	1	2180	Accounts payable to related parties (notes 6(19) and 7)	4,283	-	3,114	-	7,565	1	
1170 Accounts receivable, net (notes 6(3) 、(16) and (19))	84,178	7	90,881	8	79,446	6	2200	Other payables (notes 6(10) 、(19) and 7)	133,024	11	70,118	6	127,855	10	
1180 Accounts receivable from related parties (notes 6(3) 、(16) 、(19) and 7)	233	-	2,421	-	694	-	2230	Current income tax liabilities	10,325	1	15,651	1	8,514	1	
1200 Other receivables (notes 6(4) 、(19) and 7)	1,092	-	2,981	-	12,396	1	2280	Current lease liabilities (notes 6(11) 、(19) 、(22) and 7)	4,392	-	4,365	-	2,093	-	
130x Inventories (note 6(5))	65,295	5	77,906	6	82,850	7	2300	Other current liabilities	807	-	1,066	-	2,794	-	
1476 Other financial assets-current (notes 6(1) 、(9) and (19))	270,902	22	266,751	22	266,629	20			156,646	12	98,618	7	166,205	13	
1479 Other current assets –other (notes 6(9))	23,220	2	28,407	2	22,021	2									
	966,112	77	943,841	76	917,024	72	2580	Non-current liabilities:	2,215	-	4,418	-	-	-	
Non-current assets:									Total liabilities	158,861	12	103,036	7	166,205	13
1517 Non-current financial assets at fair value through other comprehensive income (notes 6(2) 、(19) and 13)	242,904	20	240,804	20	311,686	25		Equity (note 6(14)) :							
1600 Property, plant and equipment (note 6(6))	23,928	2	25,255	2	24,977	2	3100	Capital stock	383,981	31	383,981	31	383,981	30	
1755 Right-of-use assets (note 6 (7))	6,588	1	8,783	1	2,075	-	3200	Capital surplus	459,362	37	458,977	38	458,977	36	
1780 Intangible assets (note 6 (8))	4,904	-	6,180	1	7,456	1		Retained earnings :							
1840 Deferred income tax assets	1,256	-	1,256	-	1,773	-	3310	Legal reserve	113,065	9	97,016	8	97,016	8	
1920 Refundable deposits paid (notes 6(9) 、(19) and 7)	3,675	-	2,636	-	3,065	-	3350	Unappropriated retained earnings	121,129	10	169,610	14	35,608	3	
1984 Other non-current financial assets (notes 6(9) and (19))	461	-	625	-	788	-	3400	Other equity	13,430	1	16,760	2	127,057	10	
	283,716	23	285,539	24	351,820	28		Total equity	1,090,967	88	1,126,344	93	1,102,639	87	
Total assets	\$ 1,249,828	100	1,229,380	100	1,268,844	100		Total liabilities and equity	\$ 1,249,828	100	1,229,380	100	1,268,844	100	

See accompanying notes to financial statements.

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

Reviewed only, not audited in accordance with the generally accepted auditing standards

TSH Biopharm Corporation Ltd.

Statements of Comprehensive Income

For the six months ended June 30, 2021 and 2020

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

Items	For the three months ended June 30,				For the six months ended June 30,			
	2021		2020		2021		2020	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue (notes 6(16) and 7)	\$ 105,294	100	90,750	100	207,041	100	222,739	100
5000 Operating costs (notes 6(5) and 7)	41,908	40	32,273	36	81,871	40	78,252	35
Gross profit	63,386	60	58,477	64	125,170	60	144,487	65
6000 Operating expenses (notes 6(3)、(12)、(17)、7 and 12):								
6100 Selling expenses	28,654	27	29,215	32	58,286	28	58,984	27
6200 Administrative expenses	11,237	11	13,424	14	21,566	10	28,400	13
6300 Research and development expenses	5,493	5	6,373	7	15,363	7	16,151	7
6450 Expected credit (gain) loss	(3)	-	(239)	-	(59)	-	(132)	-
	45,381	43	48,773	53	95,156	45	103,403	47
Operating income	18,005	17	9,704	11	30,014	15	41,084	18
Non-operating income and expenses (notes 6(11)、(18) and 7):								
7100 Interest income	584	1	634	1	1,072	1	1,226	1
7010 Other income	12	-	11	-	24	-	32	-
7020 Other gains and losses	2,433	2	(676)	(1)	2,046	1	(2,588)	(1)
7050 Finance costs	(21)	-	(9)	-	(46)	-	(20)	-
	3,008	3	(40)	-	3,096	2	(1,350)	-
Profit before tax	21,013	20	9,664	11	33,110	17	39,734	18
7950 Income tax expense (note 6(13))	(7,969)	(8)	(1,555)	(2)	(10,383)	(5)	(7,942)	(4)
Profit for the period	13,044	12	8,109	9	22,727	12	31,792	14
8300 Other comprehensive income								
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	9,670	9	110,105	121	10,628	5	15,001	7
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	9,670	9	110,105	121	10,628	5	15,001	7
8300 Other comprehensive income	9,670	9	110,105	121	10,628	5	15,001	7
Total comprehensive income	\$ 22,714	21	118,214	130	33,355	17	46,793	21
Earnings per share (note 6(15))								
9750 Basic earnings per share	\$ 0.34		0.21		0.59		0.83	
9850 Diluted earnings per share	\$ 0.34		0.21		0.59		0.83	

See accompanying notes to financial statements.

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

Reviewed only, not audited in accordance with the generally accepted auditing standards

TSH Biopharm Corporation Ltd.
Statements of Changes in Equity
For the six months ended June 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity interest	Total equity
	Ordinary share capital	Capital surplus	Legal reserve	Unappropriated retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
Balance as of January 1, 2020	\$ 383,981	458,977	88,483	86,773	106,749	1,124,963
Net income for the period	-	-	-	31,792	-	31,792
Other comprehensive income for the period	-	-	-	-	15,001	15,001
Total comprehensive income for the period	-	-	-	31,792	15,001	46,793
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	8,533	(8,533)	-	-
Cash dividends of ordinary share	-	-	-	(69,117)	-	(69,117)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(5,307)	5,307	-
Balance as of June 30, 2020	383,981	458,977	97,016	35,608	127,057	1,102,639
Balance as of January 1, 2021	383,981	458,977	97,016	169,610	16,760	1,126,344
Net income for the period	-	-	-	22,727	-	22,727
Other comprehensive income for the period	-	-	-	-	10,628	10,628
Total comprehensive income for the period	-	-	-	22,727	10,628	33,355
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	16,049	(16,049)	-	-
Cash dividends of ordinary share	-	-	-	(69,117)	-	(69,117)
Other changes in capital surplus	-	385	-	-	-	385
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	13,958	(13,958)	-
Balance as of June 30, 2021	\$ 383,981	459,362	113,065	121,129	13,430	1,090,967

See accompanying notes to financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards

TSH Biopharm Corporation Ltd.

Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 33,110	39,734
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	3,691	3,560
Amortization	1,276	1,246
Expected credit loss	(59)	(132)
Net loss on financial assets and liabilities at fair value through profit or loss	-	1,558
Interest expense	46	20
Interest income	(1,072)	(1,226)
Dividend income	-	(60)
Loss on disposal of property, plant and equipment	4	-
Total adjustment to reconcile profit (loss)	3,886	4,966
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(3,072)	6,531
Decrease in accounts receivable (including related parties)	8,950	18,327
Decrease (increase) in other receivables	1,685	(10,901)
Decrease (increase) in inventories	12,611	(23,795)
Decrease in other current assets	5,187	2,859
Decrease in contract liabilities	-	(2,483)
(Decrease) increase in notes payable (including related parties)	(1,308)	310
Increase (decrease) in accounts payable (including related parties)	1,988	(16,469)
Decrease in other payables	(6,211)	(22,500)
Increase in other current liabilities	126	1,845
Total changes in operating assets and liabilities	19,956	(46,276)
Total adjustments	23,842	(41,310)
Cash flows from (used in) operations	56,952	(1,576)
Interest received	1,276	1,109
Interest paid	(46)	(20)
Income tax paid	(15,709)	(8,226)
Net cash flows from (used in) operating activities	42,473	(8,713)

(continued)

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards

TSH Biopharm Corporation Ltd.

Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June	
	30,	
	<u>2021</u>	<u>2020</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	20,708	15,799
Proceeds from disposal of financial assets at fair value through profit or loss	-	4,316
Acquisition of property, plant and equipment	(173)	(196)
(Increase) decrease in guarantee deposits paid	(1,039)	310
Acquisition of intangible assets	-	(463)
(Increase) decrease in other financial assets - current	(4,151)	42,031
Decrease in other financial assets - non-current	164	258
Dividends received	-	60
Net cash flows from (used in) investing activities	<u>15,509</u>	<u>62,115</u>
Cash flows used in financing activities:		
Payments of lease liabilities	(2,176)	(2,123)
Net cash flows used in financing activities	<u>(2,176)</u>	<u>(2,123)</u>
Net increase (decrease) in cash and cash equivalents	55,806	51,279
Cash and cash equivalents at beginning of period	396,701	224,212
Cash and cash equivalents at end of period	<u>\$ 452,507</u>	<u>275,491</u>

See accompanying notes to financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards
TSH BIOPHARM CORPORATION LTD.

Notes to the Parent Company Only Financial Statements
For the six months ended June 30,, 2021 and 2020

(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 August 3, 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 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”

The Company assesses that the adoption of the following new standards, effective from April 1, 2021 would not have any material impact on the financial statements.

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

(2) The impact of IFRS endorsed by the FSC which have not been adopted.

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

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Company believes that the adoption of the following IFRS would not have any material impact on its parent company only 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 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendment to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising

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

- from a Single Transaction

4. Summary of significant accounting policies

(1) Statement of compliance

These parent company only financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” which are endorsed and issued by FSC and do not include all of the information required by the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued by FCS (hereinafter referred to as the “IFRS endorsed by the FSC”) for full annual financial statements.

(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 profit or loss and financial assets at fair value through other comprehensive income are measured at fair value.

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

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

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

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.

(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.

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

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 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) 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.

(D) 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.

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

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 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)

(E) 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.

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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 ;
- 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.

(F) 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

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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 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.

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(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:

- (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;

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- (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:

- (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.

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(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 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	5~10 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.

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(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 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

The income tax expense have been prepared and disclosed in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is recognized based on the average annual effective income tax

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rate expected for the full financial year applied to the pretax income of the interim period, and it is fully recognized as tax expense for the current period.

Temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rate that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(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 IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and 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, liabilities, income, and expenses. Actual results may differ from these estimates.

The preparation of the interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with Note 5 of the parent company only financial statements for the year ended December 31, 2020.

6. Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in Note 6 of the parent company only financial statements for the year ended December 31, 2020.

(1) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Petty cash	\$ 220	230	270
Cash in banks	452,287	396,471	275,221
	<u>\$ 452,507</u>	<u>396,701</u>	<u>275,491</u>

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

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B. Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets-current. As of June 30, 2021, December 31, 2020 and June 30, 2020, the amount of time deposits were \$270,902, \$266,751 and \$266,629, respectively.

C. Please refer to note 6(19) for the interest rate risk of the financial assets and fair value sensitivity analysis of the Company.

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

Items	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Equity instruments at fair value through other comprehensive income :			
Current			
Listed common stock			
Domestic Company - Lumosa Therapeutics Co., Ltd.	\$ 50,036	62,216	164,391
Non - current			
Listed common stock			
Domestic Company - Handa Pharmaceuticals, Inc.	-	-	76,126
Domestic Company - Chuang Yi Biotech Co., Ltd.	14,563	14,563	3,009
Listed preferred stock			
Domestic Company - Fubon Financial Holdings	157,750	156,250	162,000
Domestic Company - Union Bank of Taiwan	21,320	20,720	21,280
Unlisted preferred stock			
Foreign Company - CellMax Ltd.	49,271	49,271	49,271
	<u>\$ 292,940</u>	<u>303,020</u>	<u>476,077</u>

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 six months ended June 30, 2021. The shares sold had a fair value of \$20,708 and the Company realized a gain of \$13,958, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

The Company sold some financial assets at fair value through other comprehensive income for the six months ended June 30, 2020. The shares sold had a fair value of \$15,799 and the Company realized a gain of \$5,307, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

B. Please refer to note 6(19) for credit and market risk information.

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Notes receivable	\$ 18,649	15,577	13,106
Accounts receivable-measured at amortized cost	85,453	94,403	81,212
Less: Allowance for expected credit losses	(1,042)	(1,101)	(1,072)
	<u>\$ 103,060</u>	<u>108,879</u>	<u>93,246</u>

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

	<u>June 30, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 103,506	1%	1,035
Past due 1~60 days	584	1%	6
Past due 61~120 days	11	1%	-
Past due more than 365 days	1	100%	1
	<u>\$ 104,102</u>		<u>1,042</u>

	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
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 more than 365 days	1	100%	1
	<u>\$ 109,980</u>		<u>1,101</u>

	<u>June 30, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 93,566	1%	1,054
Past due 1~60 days	701	1%	7
Past due 61~120 days	20	1%	-
Past due 121~180 days	18	2%	-
Past due 181~365 days	2	2%	-
Past due more than 365 days	11	100%	11
	<u>\$ 94,318</u>		<u>1,072</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ 1,101	1,204
Impairment losses reversed	(59)	(132)
Balance on June 30	<u>\$ 1,042</u>	<u>1,072</u>

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As of June 30, 2021, December 31, 2020 and June 30, 2020, the accounts receivable and notes receivable for the Company were not pledged as collateral.

(4) Other receivables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other receivables - Tax receivables	\$ 698	700	575
Other receivables - Interest receivables	357	561	651
Other receivables - Related parties	-	65	11,087
Others	37	1,655	83
	<u>\$ 1,092</u>	<u>2,981</u>	<u>12,396</u>

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 July 16, 2020.

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. As the amount can reliably measure, the Company recognized other receivables arising from the returned goods, which have been collected on September 25, 2020.

B. For further credit risk information, please refer to note 6(19).

(5) Inventories

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Merchandise	\$ 32,591	38,325	44,424
Raw materials and supplies			
- drug	35,135	41,234	40,358
- testing materials	1,025	869	701
Less: Allowance for inventory market decline and obsolescence	(3,456)	(2,522)	(2,633)
	<u>\$ 65,295</u>	<u>77,906</u>	<u>82,850</u>

The cost of inventories recognized as operating cost for the three months and six months ended June 30, 2021 and 2020 amounted to \$41,908, \$32,273, \$81,871 and \$78,252, respectively. The cost of inventory for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 included the amount of \$1,087, \$236 and \$934, respectively, resulting from recognition of market decline and obsolescence. The cost of inventory for six months ended June 30, 2020, included the amount of \$385, resulting from the sale of goods or an increase of net realizable value.

As of June 30, 2021, December 31, 2020 and June 30, 2020, the aforesaid inventories were not pledge as collateral.

(6) Property, plant and equipment

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Carrying amounts:						
Balance on January 1, 2021	\$ 5,846	10,859	4,642	2,315	1,593	25,255
Balance on June 30, 2021	\$ 5,846	10,436	4,236	2,140	1,270	23,928
Balance on January 1, 2020	\$ 5,846	11,601	5,050	1,451	2,277	26,225
Balance on June 30, 2020	\$ 5,846	11,182	4,760	1,935	1,254	24,977

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There were no significant additions, disposal, or recognition and reversal of impairment losses of property, plant and equipment for the six months ended June 30, 2021 and 2020. Information on depreciation for the periods is disclosed in Note 12(1). Please refer to Note 6(7) of the 2020 annual financial statements for other related information.

(7) Right-of-use assets

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

	Building and construction	Transportation equipment	Total
Costs:			
Balance on June 30,2021 (The same balance on January 1, 2021)	\$ 8,783	-	8,783
Balance on June 30,2020 (The same balance on January 1, 2020)	\$ 8,218	183	8,401
Accumulated depreciation:			
Balance on January 1, 2021	\$ -	-	-
Depreciation for the period	2,195	-	2,195
Balance on June 30,2021	\$ 2,195	-	2,195
Balance on January 1, 2020	\$ 4,109	101	4,210
Depreciation for the period	2,055	61	2,116
Balance on June 30,2020	\$ 6,164	162	6,326
Carrying amounts :			
Balance on January 1, 2021	\$ 8,783	-	8,783
Balance on June 30, 2021	\$ 6,588	-	6,588
Balance on June 30, 2020	\$ 2,054	21	2,075
Balance on January 1, 2020	\$ 4,109	82	4,191

(8) Intangible assets

	Computer software	Patent and drug permit license	Total
Carrying amounts :			
Balance on January 1, 2021	\$ 541	5,639	6,180
Balance on June 30, 2021	\$ 473	4,431	4,904
Balance on January 1, 2020	\$ 183	8,056	8,239
Balance on June 30, 2020	\$ 609	6,847	7,456

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2021 and 2020. Information on amortization for the six months ended June 30, 2021 and 2020, is disclosed in Note 12(1). Please refer to Note 6(9) of the 2020 annual financial statements for other related information.

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other current financial assets	\$ 270,902	266,751	266,629
Other non-current financial assets	461	625	788
Other current assets	23,220	28,407	22,021
Refundable deposits	3,675	2,636	3,065
	<u>\$ 298,258</u>	<u>298,419</u>	<u>292,503</u>

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(19).

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.

(10) Other payables

The nature of other payables was as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Salaries	\$ 18,434	22,297	22,902
Research expenses	25,531	25,033	21,416
Commission	1,158	1,465	1,357
Dividend	69,117	-	69,117
Others	18,784	21,323	13,063
	<u>\$ 133,024</u>	<u>70,118</u>	<u>127,855</u>

(11) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current	\$ 4,392	4,365	2,093
Non-current	\$ 2,215	4,418	-

For the maturity analysis, please refer to note 6(19).

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ 21	9	46	20
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 60	32	112	57

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

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ 2,334	2,200

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A. Real estate leases

On January 1, 2019, the Company leased buildings for its office. The leases of office typically run for a period of 2 years and the two-year lease was renewed on December 17, 2020. The Company leased the plant on July 1, 2019 with a lease period of 13.5 years. 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.

B. Other leases

The Company lease transportation equipment with lease term of 1.5 years. The lease contract has expired in August, 2020 and there is no further renewal.

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 short-term or low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(12) 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 six months ended June 30, 2021 and 2020 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Selling expenses	\$ 678	758	1,410	1,333
Administrative expenses	194	252	470	445
Research and development expenses	111	79	236	152
	\$ 983	1,089	2,116	1,930

(13) Income taxes

A. Income tax expense

The components of income tax for the six months ended June 30, 2021 and 2020 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Current income tax expense				
Current period	\$ 7,969	1,555	10,383	7,942

B. Assessment of tax

The Company's tax returns for the years through 2019 were assessed by the Taipei National Tax Administration.

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(14) Capital and other equity

As of June 30, 2021, December 31, 2020 and June 30, 2020, the authorized capital of the Company were both amounted to \$1,000,000, with par value of \$10 per share, which consisting of 100,000 thousand shares of ordinary stock. The paid-in capital was \$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 were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Share Capital	\$ 458,977	458,977	458,977
Other	385	-	-
	<u>\$ 459,362</u>	<u>458,977</u>	<u>458,977</u>

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

The appropriation proposal of 2020 earnings has reached the statutory resolution threshold through electronic voting on May 25, 2021, and the Company expected to hold a general shareholders' meeting on August 20, 2021. On May 29, 2020, the general shareholders' meeting resolved to appropriate 2019 earnings. The earnings were appropriated as follows:

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	For the years ended December 31,			
	2020		2019	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.80	<u>69,117</u>	1.80	<u>69,117</u>
 C. Other equity interests				
		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		
Balance on January 1, 2021	\$			16,760
Unrealized gains on financial assets measured at fair value through other comprehensive income				10,628
Disposal of equity instruments measured at fair value through other comprehensive income			(13,958)
Balance on June 30, 2021	\$			<u>13,430</u>
 Balance on January 1, 2020	\$			106,749
Unrealized losses on financial assets measured at fair value through other comprehensive income				15,001
Disposal of equity instruments measured at fair value through other comprehensive income				5,307
Balance on June 30, 2020	\$			<u>127,057</u>

(15) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
	Basic earnings per share			
Net income attributable to ordinary shareholders	<u>\$ 13,044</u>	<u>8,109</u>	<u>22,727</u>	<u>31,792</u>
Weighted-average number of ordinary shares	<u>38,398</u>	<u>38,398</u>	<u>38,398</u>	<u>38,398</u>
	<u>\$ 0.34</u>	<u>0.21</u>	<u>0.59</u>	<u>0.83</u>
Diluted earnings per share				
Net income attributable to ordinary shareholders (after adjustment of dilutive potential ordinary shares)	<u>\$ 13,044</u>	<u>8,109</u>	<u>22,727</u>	<u>31,792</u>

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	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Weighted-average number of ordinary shares	38,398	38,398	38,398	38,398
Effect of dilutive potential ordinary shares				
Effect of employee share bonus	10	12	39	23
Weighted-average number of ordinary shares (after adjustment of dilutive potential ordinary shares)	38,408	38,410	38,437	38,421
	\$ 0.34	0.21	0.59	0.83

(16) Revenue from contracts with customers

A. Disaggregation of revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Major products/service lines:				
Pharmaceuticals	\$ 98,567	85,804	193,511	211,921
Test	6,071	4,322	12,229	9,541
Services	656	624	1,301	1,277
	\$ 105,294	90,750	207,041	222,739

B. Contract balances

	June 30, 2021	December 31, 2020	June 30, 2020
Notes receivable	\$ 18,649	15,577	13,106
Accounts receivable (included related parties)	85,453	94,403	81,212
Less: Allowance for expected credit losses	(1,042)	(1,101)	(1,072)
Total	\$ 103,060	108,879	93,246

For details on notes receivable, accounts receivable and allowance for expected credit losses, please refer to note 6 (3)

The amount of revenue recognized for the six months ended June 30, 2020, that was included in the contract liability balance at the beginning of the period was \$2,483.

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

(17) 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.

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For the three months and six months ended June 30, 2021 and 2020, the Company estimated its employee compensation and directors' remuneration amounting to \$416, \$169, \$666 and \$796, 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 of incorporation. These compensation and remunerations recognized as operating expenses during 2021 and 2020. 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 2021 and 2020. Related information is available on the Market Observation Post System website.

If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimated and will be reflected in profit or loss in the following year. If the Board of Directors resolved employee compensation be settled in the form of stock, the number of shares for stock compensation is based on the closing price of ordinary shares on the day before the approval by Board of Directors calculated, and taking into account the impact of ex-dividends.

For the years ended December 31, 2020 and 2019, the remuneration to employees amounted to \$1,609 and \$1,609, respectively, while the remuneration to directors amounted to \$2,153 and \$2,153, respectively. There was no difference with the amount resolved at the Board of Directors. Related information is available on the Market Observation Post System website.

(18) Non-operating income and expenses

A. Interest income

The details of interest income for the six months ended June 30, 2021 and 2020 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
	Interest income from bank deposits	\$ 584	634	1,072

B. Other income

The details of other income for the six months ended June 30, 2021 and 2020 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
	Rent income	\$ 12	11	24

C. Other gains and losses

The details of other gains and losses for the six months ended June 30, 2021 and 2020 were as follows:

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	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Foreign exchange losses	(\$ 559)	(650)	(782)	(1,066)
Dividend income	-	-	-	60
Losses on disposals of property, plant and equipment	-	(4)	-	-
Gains (losses) on financial assets at fair value through profit or loss	-	13	-	(1,558)
Others	2,992	(39)	2,832	(24)
	\$ 2,433	(676)	2,046	(2,588)

D. Finance costs

The details of finance costs for the six months ended June 30, 2021 and 2020 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Other finance costs - Interest expenses	\$ 21	9	46	20

(19) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Company's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to Note 6(20) of the financial statements for the year ended December 31, 2020.

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 20%, 16% and 12% of the total receivables as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively. The concentration of credit risk accounted for 23%, 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 (3).

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 six months ended June 30, 2021 and 2020. The balance as of June 30, 2021 and 2020 are both zero.

B. Liquidity risk

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

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>2~3 years</u>	<u>4~5 years</u>
June 30, 2021					
Non-derivative financial liabilities					
Notes and accounts payable (including related parties)	\$ 8,098	8,098	8,098	-	-
Other payables	133,024	134,890	134,890	-	-
Lease liabilities	6,607	6,669	4,446	2,223	-
	<u>\$ 147,729</u>	<u>149,657</u>	<u>147,434</u>	<u>2,223</u>	<u>-</u>
December 31, 2020					
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>
June 30, 2020					
Non-derivative financial liabilities					
Notes and accounts payable (including related parties)	\$ 24,949	24,949	24,949	-	-
Other payables	127,855	127,855	127,855	-	-
Lease liabilities	2,093	2,101	2,101	-	-
	<u>\$ 154,897</u>	<u>154,905</u>	<u>154,905</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:

	June 30, 2021			December 31, 2020			June 30, 2020		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</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	\$ 682	27.86	18,995	251	28.48	7,135	291	29.630	8,611
CNY	2,265	4.309	9,758	2,247	4.377	9,788	2,200	4.191	9,222
EUR	104	33.15	3,452	104	35.02	4,061	1,187	33.27	39,475

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 are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD, CNY and EUR as of June 30, 2021 and 2020 would have increased (decreased) the net profit after tax by \$5, \$10, \$258 and \$573, for the three months and six months ended June 30, 2021 and 2020, respectively. The analysis is performed on the same basis for both periods.

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and six months ended June 30, 2021 and 2020, foreign exchange loss (including realized and unrealized portions) amounted to \$559, \$650, \$782 and \$1,066, respectively.

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B. Interest rate analysis: None

C. Other market price risk

For the six months ended June 30, 2021 and 2020, 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:

Prices of securities at the reporting date	For the six months ended June 30,			
	2021		2020	
	Other comprehensive income, after tax	Net income	Other comprehensive income, after tax	Net income
Increasing 10%	\$ 29,294	-	47,608	-
Decreasing 10%	(\$ 29,294)	-	(47,608)	-

D. 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:

	June 30, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	\$ 179,070	179,070	-	-	179,070
Domestic OTC stocks	50,036	50,036	-	-	50,036
Domestic emerging stocks	14,563	-	-	14,563	14,563
Foreign unlisted stocks	49,271	-	-	49,271	49,271
Subtotal	292,940	229,106	-	63,834	292,940
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 452,507	-	-	-	-
Notes and accounts receivable (including related parties)	103,060	-	-	-	-
Other receivables	1,092	-	-	-	-
Other financial assets	271,363	-	-	-	-
Refundable deposits	3,675	-	-	-	-
Subtotal	831,697	-	-	-	-
Total	\$ 1,124,637	229,106	-	63,834	292,940

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		June 30, 2021				
		Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	Total	
Financial liabilities at amortized cost						
Notes and accounts payable (including related parties)	\$	8,098	-	-	-	-
Other payables		133,024	-	-	-	-
Lease liabilities		6,607	-	-	-	-
Subtotal		147,729	-	-	-	-
Total		\$ 147,729	-	-	-	-
		December 31, 2020				
		Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	Total	
Financial assets at fair value through other comprehensive income						
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		303,020	239,186	-	63,834	303,020
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		778,573	-	-	-	-
Total		\$ 1,081,593	239,186	-	63,834	303,020
Financial liabilities at amortized cost						
Notes and accounts payable (including related parties)	\$	7,418	-	-	-	-
Other payables		70,118	-	-	-	-
Lease liabilities		8,783	-	-	-	-
Subtotal		86,319	-	-	-	-
Total		\$ 86,319	-	-	-	-

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June 30, 2020

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	\$ 183,280	183,280	-	-	183,280
Domestic OTC stocks	164,391	164,391	-	-	164,391
Domestic emerging stocks	79,135	76,126	-	3,009	79,135
Foreign unlisted stocks	49,271	-	-	49,271	49,271
Subtotal	<u>476,077</u>	<u>423,797</u>	<u>-</u>	<u>52,280</u>	<u>476,077</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 275,491	-	-	-	-
Notes and accounts receivable (including related parties)	93,246	-	-	-	-
Other receivables	12,396	-	-	-	-
Other financial assets	267,417	-	-	-	-
Refundable deposits	3,065	-	-	-	-
Subtotal	<u>651,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,127,692</u>	<u>423,797</u>	<u>-</u>	<u>52,280</u>	<u>476,077</u>
Financial liabilities at amortized cost					
Notes and accounts payable (including related parties)	\$ 24,949	-	-	-	-
Other payables	127,855	-	-	-	-
Lease liabilities	2,093	-	-	-	-
Subtotal	<u>154,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 154,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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

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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 levels

There was no change in valuation techniques for financial instruments measured at fair value for the six months ended June 30, 2021 and 2020, so there was no transfer between levels.

(F) Reconciliation of Level 3 fair values:

	Fair value through other comprehensive income
	Equity instruments without quoted price
Balance as of January 1, 2021	\$ 63,834
Balance as of June 30, 2021	\$ 63,834
Balance as of January 1, 2020	\$ 52,280
Balance as of June 30, 2020	\$ 52,280

(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:

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<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
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"> • Weighted average cost of capital (as of June 30, 2021, December 31, 2020 and June 30, 2020, the rate were 13.32%, 13.32% and 14.27%, respectively) • Discount for lack of market liquidity (as of June 30, 2021, December 31, 2020 and June 30, 2020, the rate were both 20.6%) • Discount for lack of market liquidity (as of June 30, 2021, December 31, 2020 and June 30, 2020, the rate were 30%, 30% and 17.5%, respectively) 	The estimated fair value would decrease if: <ul style="list-style-type: none"> • WACC was higher; • The discount for lack of market liquidity was higher
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable companies method	<ul style="list-style-type: none"> • Discount for lack of market liquidity (as of June 30, 2021, December 31, 2020 and June 30, 2020, the rate were 30%, 30% and 17.5%, respectively) 	The estimated fair value would decrease if the discount for lack of market liquidity was higher.

(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>
June 30, 2021				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount rate	1%	341 (341)
December 31, 2020				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount rate	1%	341 (341)

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	<u>Input value</u>	<u>Degree of variation</u>	<u>Recognized in other comprehensive income</u>	
			<u>Favourable change</u>	<u>Unfavourable change</u>
June 30, 2020				
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.

(20) Financial risk management

There were no significant changes in the Company's financial risk management and policies as disclosed in Note 6(21) of the financial statements for the year ended December 31, 2020.

(21) Capital management

The objectives, policies and processes of capital management of the Company has applied consistently with those described in the financial statements for the year ended December 31, 2020. Also, there were no significant changes in the Company's capital management information as disclosed for the year ended December 31, 2020. Please refer to Note 6(22) of the financial statements for the year ended December 31, 2020 for further details.

(22) 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 six months ended June 30, 2021 and 2020, were as follows:

A. Acquisition of right-of-use assets under leases, please refer to note 6(7).

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

	<u>January 1, 2021</u>	<u>Cash flow</u>	<u>Non-cash changes</u>	<u>June 30, 2021</u>
			<u>Others</u>	
Lease liabilities	\$ 8,783	(2,176)	-	6,607

	<u>January 1, 2020</u>	<u>Cash flow</u>	<u>Non-cash changes</u>	<u>June 30, 2020</u>
			<u>Others</u>	
Lease liabilities	\$ 4,216	(2,123)	-	2,093

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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 three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Parent company- TTY Biopharm Company Limited	\$ 656	653	1,301	1,111
Other related parties	1,936	(29)	1,936	1,798
	\$ 2,592	624	3,237	2,909

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 three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Parent company- TTY Biopharm Company Limited	\$ -	3,290	-	39,439
Other related parties- Chuangyi Biotech Co., Ltd.(Note)	-	(1,224)	-	(25,536)
	\$ -	2,066	-	13,903

Note: The reason of negative purchase amount with Chuangyi Biotech Co., Ltd for the six months ended June 30, 2020, please refer to note 6(4).

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-end 30 and 90 days.

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C. Receivables from related parties

The amounts of receivables from related parties were as follows:

Items	Related Party Categories	June 30, 2021	December 31, 2020	June 30, 2020
Accounts receivable	Parent company	\$ 233	438	686
Accounts receivable	Other related parties	-	1,983	8
Other receivables	Other related parties	-	65	11,087
		<u>\$ 233</u>	<u>2,486</u>	<u>11,781</u>

D. Payables to related parties

The amounts of payables to related parties were as follows:

Items	Related Party Categories	June 30, 2021	December 31, 2020	June 30, 2020
Accounts payable-related parties	Parent company	\$ 4,283	3,114	7,565
Other payables	Parent company	1,774	1,731	1,037
Other payables	Other related parties	-	-	916
		<u>\$ 6,057</u>	<u>4,845</u>	<u>9,518</u>

F. Lease

The Company leases offices and equipments from the parent company, and the refundable deposits amounted to \$741, \$693 and \$693 as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

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 \$21, \$9, \$46 and \$20 were recognized for the three months and six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020, the balances of lease liabilities were \$6,607, \$8,783 and \$2,093, respectively.

G. Others

- (A) For the three months and six months ended June 30, 2021 and 2020, the operating expenses paid by the Company to the parent company or other related parties due to the operating and business transactions amounted to \$1,397, \$1,582, \$3,003 and \$2,933, respectively.
- (B) For the six months ended June 30, 2020, the research fee paid by the Company to the parent company for contract with research and project development is \$374.
- (C) The processing expense paid by the Company to the parent company for the processing of drugs amounted to \$17,715, \$18,314, \$34,143 and \$28,068, respectively, which were recognized as operating cost for the three months and six months ended June 30, 2021 and 2020.
- (D) The Company authorized other related parties to sell specific products with contract period from June 1, 2020 to May 31, 2021. As the contract expired, the purchase volume of other related parties did not reach the minimum amount of \$3,000. Thus, the difference of \$2,897 was paid in June, 2021, which were accounted for under other income.

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(4) Key management personnel compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Short-term employee benefits	\$ 5,557	4,919	10,814	12,531
Post-employment benefits	136	187	247	304
	<u>\$ 5,693</u>	<u>5,106</u>	<u>11,061</u>	<u>12,835</u>

8. Pledged assets: None.

9. Significant commitments and contingencies

As of June 30, 2021, December 31, 2020 and June 30, 2020, the unrecognized contractual commitments of the Company were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Contract with other units for research and development	<u>\$ 130,402</u>	<u>122,787</u>	<u>128,133</u>
Acquisition of intangible assets	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Purchase of raw materials	<u>\$ 174,000</u>	<u>185,600</u>	<u>197,200</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 six months ended June 30, 2021 and 2020:

By function	For the three months ended June 30,					
	2021			2020		
By item	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	-	23,873	23,873	-	28,208	28,208
Labor and health insurance	-	1,666	1,666	-	1,751	1,751
Pension	-	983	983	-	1,089	1,089
Director's remuneration	-	1,359	1,359	-	2,274	2,274
Others	-	899	899	-	1,602	1,602
Depreciation	-	1,809	1,809	-	1,765	1,765
Amortization	-	638	638	-	628	628

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By function By item	For the six months ended June 30,					
	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	-	46,243	46,243	-	54,839	54,839
Labor and health insurance	-	3,551	3,551	-	3,405	3,405
Pension	-	2,116	2,116	-	1,930	1,930
Director's remuneration	-	1,869	1,869	-	3,317	3,317
Others	-	1,665	1,665	-	4,283	4,283
Depreciation	-	3,691	3,691	-	3,560	3,560
Amortization	-	1,276	1,276	-	1,246	1,246

(2) Impact due to COVID-19 on the Company's operation:

After an overall assessment by the management, there was no significant impact on the Company's operation.

(3) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

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 June 30, 2021 (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	1,315	50,036	0.87%	50,036	
"	Fubon Financial Holding Co., Ltd. Preferred stock B	-	Non-current financial assets at fair value through other comprehensive income	2,500	157,750	0.38%	157,750	
"	Union Bank of Taiwan Preferred stock A	-	"	400	21,320	0.20%	21,320	
"	CellMax Ltd. Preferred stock	-	"	1,593	49,271	1.92%	49,271	
"	Chuangyi Biotech Co., Ltd.	-	"	1,320	14,563	3.89%	14,563	

D. Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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

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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: None.

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%

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.