

**TANVEX BIOPHARMA, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

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

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES
DECEMBER 31, 2020 AND 2019 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To Tanvex Biopharma, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Tanvex Biopharma, Inc. and its subsidiaries (the “Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we

do not provide a separate opinion on these matters.

The key audit matter for the Group's 2020 consolidated financial statements is described below:

Impairment assessment of property, plant and equipment

Description

As of December 31, 2020, the Group's property, plant and equipment amounted to NT\$555,692 thousand, accounting for 13% of the consolidated total assets. Please refer to Notes 4(11) and 4(14) for the related accounting policy and Note 6(5) for the details of property, plant and equipment in the consolidated financial statements.

The Group is currently engaged in conducting research and development of biosimilar products, so the property, plant and equipment are mainly used for the purposes of research and development and are highly relevant to the outcome of biosimilar drugs' development. In addition, the balance of property, plant and equipment at December 31, 2020 was significant. Thus, we considered the impairment assessment of property, plant and equipment as a key audit matter.

How our audit addressed the matter

Our procedures performed in respect of the above key audit matter included:

- Reviewing the reasonableness of the assessment of impairment indicators provided by management and discussing with management and research and development supervisor as to whether:
 1. Main research and development technology has not lost competition in the market.
 2. There is no major delay in the major research and development projects.
 3. The main research and development equipment is in normal use and has not been damaged or outdated.
 4. The market value of the Group is not lower than its book value at the balance sheet date.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards,

IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Yu, Shu-Fen

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 25, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

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

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,068,608	48	\$ 2,427,451	68
1200	Other receivables		1,909	-	1,290	-
130X	Inventory	6(3)	50,082	1	52,203	1
1410	Prepayments	6(4)	142,914	3	124,030	4
11XX	Total current assets		2,263,513	52	2,604,974	73
Non-current assets						
1535	Financial assets at amortised cost - non-current	6(2) and 8	182,715	4	-	-
1600	Property, plant and equipment	6(5)	555,692	13	657,824	18
1755	Right-of-use assets	6(6)	1,350,585	31	265,136	7
1780	Intangible assets	6(7)	11,957	-	15,932	1
1920	Guarantee deposits paid		6,496	-	25,622	1
1990	Other non-current assets		1,767	-	3,505	-
15XX	Total non-current assets		2,109,212	48	968,019	27
1XXX	Total assets		\$ 4,372,725	100	\$ 3,572,993	100
Liabilities and Equity						
Current liabilities						
2200	Other payables	6(8)	\$ 232,595	5	\$ 199,382	5
2280	Lease liabilities - current	6(25)	65,735	2	71,066	2
2320	Long-term borrowings, current portion	6(9)	54,769	1	-	-
21XX	Total current liabilities		353,099	8	270,448	7
Non-current liabilities						
2540	Long-term borrowings	6(9)	35,534	1	-	-
2580	Lease liabilities - non-current	6(25)	1,363,377	31	271,674	8
25XX	Total non-current liabilities		1,398,911	32	271,674	8
2XXX	Total liabilities		1,752,010	40	542,122	15
Equity						
	Share capital	6(12)				
3110	Common share		3,116,067	71	2,642,041	74
	Capital surplus	6(13)				
3200	Capital surplus		9,652,911	221	8,348,201	234
	Retained earnings	6(14)				
3350	Deficit yet to be compensated		(9,784,225)	(224)	(7,679,989)	(215)
	Other equity interest	6(15)				
3400	Other equity interest		(364,038)	(8)	(279,382)	(8)
31XX	Equity attributable to owners of the parent		2,620,715	60	3,030,871	85
3XXX	Total equity		2,620,715	60	3,030,871	85
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 4,372,725	100	\$ 3,572,993	100

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

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except for loss per share amount)

	Items	Notes	For the year ended December 31,			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16)	\$ 300	100	\$ -	-
5000	Operating costs		(157)	(52)	-	-
5900	Net operating margin		143	48	-	-
	Operating expenses	6(5)(6)(7)(10) (11)(20)(21)				
6100	Selling expenses		(30,077)	(10026)	(68,478)	-
6200	General and administrative expenses		(209,043)	(69681)	(259,566)	-
6300	Research and development expenses		(1,860,600)	(620200)	(2,000,112)	-
6000	Total operating expenses		(2,099,720)	(699907)	(2,328,156)	-
6900	Operating loss		(2,099,577)	(699859)	(2,328,156)	-
	Non-operating income and expenses					
7100	Interest income	6(2)(17)	18,655	6219	62,799	-
7010	Other income		1,180	393	611	-
7020	Other gains and losses	6(18)	(5,900)	(1967)	6,125	-
7050	Finance costs	6(6)(9)(19)	(18,570)	(6190)	(15,580)	-
7000	Total non-operating income and expenses		(4,635)	(1545)	53,955	-
7900	Loss before income tax		(2,104,212)	(701404)	(2,274,201)	-
7950	Income tax expense	6(22)	(24)	(8)	(25)	-
8200	Loss for the year		(\$ 2,104,236)	(701412)	(\$ 2,274,226)	-
	Other comprehensive loss					
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(15)	(\$ 84,656)	(28219)	(\$ 25,407)	-
8500	Total comprehensive loss for the year		(\$ 2,188,892)	(729631)	(\$ 2,299,633)	-
	Loss attributable to:					
8610	Owners of the parent		(\$ 2,104,236)	(701412)	(\$ 2,274,226)	-
	Comprehensive loss attributable to:					
8710	Owners of the parent		(\$ 2,188,892)	(729631)	(\$ 2,299,633)	-
	Loss per share	6(23)				
9750	Basic loss per share		(\$ 7.84)	(\$ 9.26)		
9850	Diluted loss per share		(\$ 7.84)	(\$ 9.26)		

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

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

		Equity attributable to owners of the parent					Other equity interest	
		Capital surplus					Financial statements translation differences of foreign operations	
Notes	Common shares	Share premium	Employee stock options	Others	Deficit yet to be compensated			Total
For the year ended December 31, 2019								
Balance at January 1, 2019	\$ 2,430,678	\$ 6,928,496	\$ 440,559	\$ 52,458	(\$ 5,383,363)	(\$ 253,975)		\$ 4,214,853
Effects of retrospective application and retrospective restatement	-	-	-	-	(22,400)	-		(22,400)
Balance at January 1 after adjustments	<u>2,430,678</u>	<u>6,928,496</u>	<u>440,559</u>	<u>52,458</u>	<u>(5,405,763)</u>	<u>(253,975)</u>		<u>4,192,453</u>
Loss for the year	-	-	-	-	(2,274,226)	-		(2,274,226)
Other comprehensive loss 6(15)	-	-	-	-	-	(25,407)		(25,407)
Total comprehensive loss	-	-	-	-	(2,274,226)	(25,407)		(2,299,633)
Issuance of shares for cash 6(12)	200,000	755,000	-	-	-	-		955,000
Compensation cost of issuance of shares for cash 6(11)	-	358	(413)	55	-	-		-
Compensation cost of employee stock options 6(11)(21)	-	-	155,716	-	-	-		155,716
Exercise of employee share options 6(11)(12)	11,363	29,379	(74,810)	61,403	-	-		27,335
Balance at December 31, 2019	<u>\$ 2,642,041</u>	<u>\$ 7,713,233</u>	<u>\$ 521,052</u>	<u>\$ 113,916</u>	<u>(\$ 7,679,989)</u>	<u>(\$ 279,382)</u>		<u>\$ 3,030,871</u>
For the year ended December 31, 2020								
Balance at January 1, 2020	<u>\$ 2,642,041</u>	<u>\$ 7,713,233</u>	<u>\$ 521,052</u>	<u>\$ 113,916</u>	<u>(\$ 7,679,989)</u>	<u>(\$ 279,382)</u>		<u>\$ 3,030,871</u>
Loss for the year	-	-	-	-	(2,104,236)	-		(2,104,236)
Other comprehensive loss 6(15)	-	-	-	-	-	(84,656)		(84,656)
Total comprehensive loss	-	-	-	-	(2,104,236)	(84,656)		(2,188,892)
Issuance of shares for cash 6(12)	470,000	1,217,000	-	-	-	-		1,687,000
Compensation cost of issuance of shares for cash 6(11)	-	1,603	(1,603)	-	-	-		-
Compensation cost of employee stock options 6(11)(21)	-	-	80,356	-	-	-		80,356
Exercise of employee share options 6(11)(12)	4,026	12,423	(61,693)	56,624	-	-		11,380
Balance at December 31, 2020	<u>\$ 3,116,067</u>	<u>\$ 8,944,259</u>	<u>\$ 538,112</u>	<u>\$ 170,540</u>	<u>(\$ 9,784,225)</u>	<u>(\$ 364,038)</u>		<u>\$ 2,620,715</u>

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

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 2,104,212)	(\$ 2,274,201)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)(20)	215,827	209,475
Amortization	6(7)(20)	4,580	6,489
Compensation cost of employee stock options	6(11)(21)	80,356	155,716
Interest income	6(17)	(18,655)	(62,799)
Interest expense	6(6)(9)(19)	18,570	15,580
Loss on disposal of property, plant and equipment	6(18)	272	140
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Other receivables		(723)	(883)
Inventory		2,121	(23,625)
Prepayments		(18,884)	2,135
Changes in liabilities relating to operating activities			
Other payables		32,428	12,131
Cash outflow generated from operations		(1,788,320)	(1,959,842)
Receipt of interest		18,683	76,787
Payment of interest		(17,964)	(15,580)
Income tax paid		(24)	(25)
Net cash flows used in operating activities		(1,787,625)	(1,898,660)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(5)(24)	(66,029)	(89,098)
Proceeds from disposal of property, plant and equipment		170	-
Acquisition of intangible assets	6(7)	(1,466)	(4,504)
Acquisition of financial assets at amortized cost		(193,870)	-
Proceeds from disposal of financial assets at amortized cost		-	1,915,180
Decrease in refundable deposits		18,495	1,209
Increase in other non-current assets	6(24)	(597)	(3,505)
Net cash flows (used in) from investing activities		(243,297)	1,819,282
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in long-term borrowings	6(25)	94,866	-
Redemption of lease liabilities	6(6)(25)	(67,759)	(68,180)
Issuance of shares for cash	6(12)	1,692,000	955,000
Exercise of employee stock options		11,380	27,335
Net cash flows from financing activities		1,730,487	914,155
Effect due to changes in exchange rate		(58,408)	(38,031)
Net (decrease) increase in cash and cash equivalents		(358,843)	796,746
Cash and cash equivalents at beginning of year		2,427,451	1,630,705
Cash and cash equivalents at end of year		\$ 2,068,608	\$ 2,427,451

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

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANIZATION

Tanvex Biopharma, Inc. (the “Company”) was incorporated as a company limited by shares in the Cayman Islands in May, 2013. The address of the Company’s registered office is P.O. BOX 31119, Grand Pavilion Hibiscus Way, 802 West Bay Road, KY1-1205, Cayman Islands. The Company and its subsidiaries (the “Group”) are primarily engaged in the research, development, manufacture and sale of biosimilar products. The Group is currently engaged in conducting research and development of biosimilar products, biological production procedures, and has not yet generated revenues. On October 26, 2017, the Company was listed on the Taiwan Stock Exchange (TWSE).

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 25, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements

are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

- A. The consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- B. Subsidiaries included in the consolidated financial statements:

Name of investment company	Name of subsidiaries	Main activities	Ownership (%)	
			December 31, 2020	December 31, 2019
Tanvex Biopharma, Inc.	Tanvex Biologics, Corp. (“Tanvex Taiwan”)	Research and development of biosimilar drugs and new drugs	100%	100%

Name of investment company	Name of subsidiaries	Main activities	Ownership (%)	
			December 31, 2020	December 31, 2019
Tanvex Biopharma, Inc.	Tanvex BioPharma USA, Inc. ("Tanvex USA")	Formulation and manufacturing of biosimilar drugs and new drugs	100%	100%

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's functional currency is United States dollars USD. However, as the Group is listed in the Taiwan Stock Exchange, under the regulations of the country where the consolidated financial statements are reported to the regulatory authorities, these consolidated financial statements are presented in New Taiwan dollars (NTD).

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains or losses."

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

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

Otherwise they are classified as non-current assets.

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

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

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

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

(7) Financial assets at amortized cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

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

Testing equipment	3~10 years
Office equipment	3~10 years
Leasehold improvements	2~12 years
Machinery and equipment	7~10 years
Transportation equipment	5 years

(12) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-

value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(13) Intangible assets

- A. Patents and specialized technologies

Patents and specialized technologies are stated at cost and amortized on a straight-line basis over the estimated economic life.

- B. Computer software

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

(14) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the

depreciated or amortized historical cost would have been if the impairment had not been recognized.

(15) Borrowings

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

(16) Derecognition of financial liabilities

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

(17) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(18) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

- B. The grant date of share-based payment arrangements is the date that the Group and the employees have common consensus on the terms and conditions of the agreements.

(19) Income tax

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

(20) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(21) Revenue recognition

Commissioned service revenue

Revenue from providing commissioned services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total expected cost. If there is lack of reliable information for the percentage of completion method, but the incurred costs for satisfying

the performance obligation can be recovered, under such circumstances, contract revenue is recognized only to the extent of contract costs incurred that is probable to be recovered until the performance obligation can be estimated reliably. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized. The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(22) Government grants

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

(23) Operating segments

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

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

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

Critical accounting estimates and assumptions

Impairment assessment of property, plant and equipment

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2020, the carrying amount of property, plant and equipment was \$555,692.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 132	\$ 150
Checking accounts and demand deposits	2,068,476	2,274,355
Time deposits	<u>-</u>	<u>152,946</u>
	<u>\$ 2,068,608</u>	<u>\$ 2,427,451</u>

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

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

(2) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Time deposits	<u>\$ 182,715</u>	<u>\$ -</u>

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income	<u>\$ 92</u>	<u>\$ 41,164</u>

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was \$182,715 and \$0, respectively.

C. Details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk is provided in Note 12(2).

(3) Inventory

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	<u>\$ 50,082</u>	<u>\$ -</u>	<u>\$ 50,082</u>
	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	<u>\$ 52,203</u>	<u>\$ -</u>	<u>\$ 52,203</u>

(4) Prepayments

	December 31, 2020	December 31, 2019
Prepayments for contracted research expense	\$ 83,408	\$ 56,637
Prepayments for software maintenance fee	1,934	6,083
Excess business tax paid	23,661	20,697
Others	33,911	40,613
	<u>\$ 142,914</u>	<u>\$ 124,030</u>

(5) Property, plant and equipment

	Office equipment	Leasehold improvements	Testing equipment	Machinery equipment	Transportation equipment	Construction in progress	Total
<u>At January 1, 2020</u>							
Cost	\$ 48,445	\$ 340,538	\$ 454,798	\$ 359,753	\$ 479	\$ 49,409	\$ 1,253,422
Accumulated depreciation and impairment	(26,656)	(198,929)	(210,238)	(159,344)	(431)	-	(595,598)
	<u>\$ 21,789</u>	<u>\$ 141,609</u>	<u>\$ 244,560</u>	<u>\$ 200,409</u>	<u>\$ 48</u>	<u>\$ 49,409</u>	<u>\$ 657,824</u>
<u>2020</u>							
At January 1	\$ 21,789	\$ 141,609	\$ 244,560	\$ 200,409	\$ 48	\$ 49,409	\$ 657,824
Additions	1,844	679	36,845	593	-	26,853	66,814
Reclassifications	(889)	(5,191)	6,080	-	-	-	-
Disposals	-	-	-	(170)	-	(272)	(442)
Transfer (Note)	256	7,865	14,109	6,303	-	(26,198)	2,335
Depreciation charge	(4,618)	(53,664)	(47,813)	(35,725)	(47)	-	(141,867)
Net exchange differences	(1,146)	(6,050)	(9,135)	(11,626)	(1)	(1,014)	(28,972)
At December 31	<u>\$ 17,236</u>	<u>\$ 85,248</u>	<u>\$ 244,646</u>	<u>\$ 159,784</u>	<u>\$ -</u>	<u>\$ 48,778</u>	<u>\$ 555,692</u>
<u>At December 31, 2020</u>							
Cost	\$ 39,327	\$ 322,420	\$ 502,448	\$ 342,649	\$ 448	\$ 48,778	\$ 1,256,070
Accumulated depreciation and impairment	(22,091)	(237,172)	(257,802)	(182,865)	(448)	-	(700,378)
	<u>\$ 17,236</u>	<u>\$ 85,248</u>	<u>\$ 244,646</u>	<u>\$ 159,784</u>	<u>\$ -</u>	<u>\$ 48,778</u>	<u>\$ 555,692</u>

Note: It refers to prepaid equipment (shown as “other non-current assets - other”) transferred into property, plant and equipment.

	Office equipment	Leasehold improvements	Testing equipment	Machinery equipment	Transportation equipment	Construction in progress	Total
<u>At January 1, 2019</u>							
Cost	\$ 46,308	\$ 288,188	\$ 436,726	\$ 354,130	\$ 487	\$ 70,662	\$ 1,196,501
Accumulated depreciation and impairment	(21,125)	(144,408)	(168,958)	(126,119)	(341)	-	(460,951)
	<u>\$ 25,183</u>	<u>\$ 143,780</u>	<u>\$ 267,768</u>	<u>\$ 228,011</u>	<u>\$ 146</u>	<u>\$ 70,662</u>	<u>\$ 735,550</u>
<u>2019</u>							
At January 1	\$ 25,183	\$ 143,780	\$ 267,768	\$ 228,011	\$ 146	\$ 70,662	\$ 735,550
Additions	2,888	9,379	15,186	6,366	-	40,344	74,163
Disposals	-	-	(52)	(88)	-	-	(140)
Transfer (Note)	-	48,552	8,380	6,003	-	(61,436)	1,499
Depreciation charge	(5,960)	(57,871)	(44,182)	(36,586)	(98)	-	(144,697)
Net exchange differences	(322)	(2,231)	(2,540)	(3,297)	-	(161)	(8,551)
At December 31	<u>\$ 21,789</u>	<u>\$ 141,609</u>	<u>\$ 244,560</u>	<u>\$ 200,409</u>	<u>\$ 48</u>	<u>\$ 49,409</u>	<u>\$ 657,824</u>
<u>At December 31, 2019</u>							
Cost	\$ 48,445	\$ 340,538	\$ 454,798	\$ 359,753	\$ 479	\$ 49,409	\$ 1,253,422
Accumulated depreciation and impairment	(26,656)	(198,929)	(210,238)	(159,344)	(431)	-	(595,598)
	<u>\$ 21,789</u>	<u>\$ 141,609</u>	<u>\$ 244,560</u>	<u>\$ 200,409</u>	<u>\$ 48</u>	<u>\$ 49,409</u>	<u>\$ 657,824</u>

Note: It refers to prepaid equipment (shown as “other non-current assets - other”) transferred into property, plant and equipment.

The Group did not pledge property, plant and equipment as collateral.

(6) Leasing arrangements - lessee

- A. The Group leases various assets including offices and plants. Rental contracts are typically made for periods of 5 to 12 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise warehouse pallets and employees’ dorms. Low-value assets comprise printers and warehouse lift.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings and plants	<u>\$ 1,350,585</u>	<u>\$ 265,136</u>
	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings and plants	<u>\$ 73,960</u>	<u>\$ 64,778</u>

D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$1,230,397 and \$0, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 17,964	\$ 15,580
Expense on short-term lease contracts	\$ 140	\$ 290
Expense on leases of low-value assets	\$ 2,130	\$ 2,043

F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$87,993 and \$86,093, respectively.

G. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Intangible assets

	Patent and specialized technologies	Computer software	Total
<u>At January 1, 2020</u>			
Cost	\$ 51,650	\$ 57,160	\$ 108,810
Accumulated amortization and impairment	(51,650)	(41,228)	(92,878)
	<u>\$ -</u>	<u>\$ 15,932</u>	<u>\$ 15,932</u>
<u>2020</u>			
At January 1	\$ -	\$ 15,932	\$ 15,932
Additions	-	1,466	1,466
Amortization change	-	(4,580)	(4,580)
Net exchange differences	-	(861)	(861)
At December 31	<u>\$ -</u>	<u>\$ 11,957</u>	<u>\$ 11,957</u>
<u>At December 31, 2020</u>			
Cost	\$ 51,650	\$ 55,220	\$ 106,870
Accumulated amortization and impairment	(51,650)	(43,263)	(94,913)
	<u>\$ -</u>	<u>\$ 11,957</u>	<u>\$ 11,957</u>

	Patent and specialized technologies	Computer software	Total
<u>At January 1, 2019</u>			
Cost	\$ 51,650	\$ 53,607	\$ 105,257
Accumulated amortization and impairment	(51,650)	(35,439)	(87,089)
	<u>\$ -</u>	<u>\$ 18,168</u>	<u>\$ 18,168</u>
<u>2019</u>			
At January 1	\$ -	\$ 18,168	\$ 18,168
Additions	-	4,504	4,504
Amortization change	-	(6,489)	(6,489)
Net exchange differences	-	(251)	(251)
At December 31	<u>\$ -</u>	<u>\$ 15,932</u>	<u>\$ 15,932</u>
<u>At December 31, 2019</u>			
Cost	\$ 51,650	\$ 57,160	\$ 108,810
Accumulated amortization and impairment	(51,650)	(41,228)	(92,878)
	<u>\$ -</u>	<u>\$ 15,932</u>	<u>\$ 15,932</u>

Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2020	2019
General and administrative expenses	\$ 780	\$ 1,400
Research and development expenses	3,800	5,089
	<u>\$ 4,580</u>	<u>\$ 6,489</u>

Patent and specialized technologies are essential for biological research and development and manufacturing of biopharmaceuticals.

(8) Other payables

	December 31, 2020	December 31, 2019
Wages and salaries payable	\$ 52,674	\$ 83,180
Accrued research material	9,847	19,132
Accrued research expense	126,622	53,960
Payable on equipment	4,201	3,416
Accrued service fee	21,850	23,387
Others	17,401	16,307
	<u>\$ 232,595</u>	<u>\$ 199,382</u>

(9) Long-term borrowings

Type of borrowings	Borrowing period	Interest rate range	Collateral	December 31, 2020
Project grant borrowings	Borrowing period is from May 7, 2020 to May 7, 2022	1%	None	\$ 90,303
Less: Current portion				(54,769)
				<u>\$ 35,534</u>

- A. The Group's subsidiaries have applied for loans under the Paycheck Protection Program of the US Small Business Administration and the major conditions of the loans are as follows:
- (a) The first six months after the drawdown date is the grace period wherein the borrower does not need to repay the principal and interest, but interest still needs to be accrued.
- (b) A borrower can apply for forgiveness of the loan by providing documentations for salaries, rental and utilities paid eight weeks after the drawdown date.
- B. As of December 31, 2020, the Group's subsidiaries have provided documentations to the lender to apply for forgiveness of the loan. However, the application documents were still under review.
- C. Interest expense recognized in profit or loss amounted to \$606 for the year ended December 31, 2020.

(10) Pensions

- A. The subsidiary, Tanvex Taiwan, has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with the R.O.C. nationality. Under the New Plan, Tanvex Taiwan contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- The subsidiary, Tanvex USA, provides 401(K) retirement plan, which is a defined contribution plan. Under the plan, the employee contributes an amount based on a certain percentage of the employees' salaries and wages or a certain amount to the employees' individual pension accounts. Tanvex USA also contributes certain percentage of wages and salaries of the employees to the employees' individual pension accounts.
- B. The pension costs under the above pension plans of the Group for the years ended December 31, 2020 and 2019 were \$8,301 and \$9,861, respectively.

(11) Share-based payment

- A. As of December 31, 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (number of shares)	Contract period	Vesting conditions
Employee stock options A	2013.10	322,000	10 years	1~4 years of service

Type of arrangement	Grant date	Quantity granted (number of shares)	Contract period	Vesting conditions
Employee stock options B	2013.10	20,000	10 years	Immediately vested and 1~2 years of service
Employee stock options D	2014.10~12	3,680,000	10 years	1~4 years of service
Employee stock options F	2015.1~6	2,272,500	10 years	1~4 years of service
Employee stock options G	2015.7	620,000	10 years	1~4 years of service
Employee stock options H	2015.12	596,000	10 years	2~4 years of service
Employee stock options I	2016.6	918,000	10 years	2~4 years of service
Employee stock options J	2016.7	3,014,000	10 years	2~4 years of service
Employee stock options K	2016.9	160,000	10 years	2~4 years of service
Employee stock options L	2016.12	686,000	10 years	2~4 years of service
Employee stock options M	2017.1	200,000	10 years	2~4 years of service
Employee stock options N	2017.3	320,000	10 years	2~4 years of service
Employee stock options O	2017.6	416,000	10 years	2~4 years of service
Employee stock options P	2017.10	3,595,300	10 years	2~4 years of service
Employee stock options Q	2017.12	359,000	10 years	2~4 years of service
Employee stock options R	2018.3	1,614,000	10 years	2~4 years of service
Employee stock options S	2018.6	1,200,000	10 years	2~4 years of service
Employee stock options T	2018.9	544,000	10 years	2~4 years of service
Employee stock options U	2018.9	2,264,200	10 years	2~4 years of service
Employee stock options W	2018.12	1,688,000	10 years	2~4 years of service
Employee stock options X	2019.4	490,000	10 years	2~4 years of service
Employee stock options Y	2019.8	4,150,900	10 years	2~4 years of service
Employee stock options Z	2019.10	408,000	10 years	2~4 years of service
Employee stock options AA	2020.1	216,000	10 years	2~4 years of service
Employee stock options AB	2020.4	1,156,000	10 years	2~4 years of service
Employee stock options AC	2020.5	5,335,300	10 years	2~4 years of service
Employee stock options AD	2020.7	670,000	10 years	2~4 years of service
Employee stock options AE	2020.1	90,000	10 years	2~4 years of service
Cash capital increase reserved for employee preemption	2020.11	259,000	NA	Immediately vested

Type of arrangement	Grant date	Quantity granted (number of shares)		Contract period	Vesting conditions
		Before conversion	After conversion		
Employee stock options E (Note)	2014.10	4,453,500	4,987,884	10 years	Immediately vested and 1~4 years of service

Note: The original parent company of Tanvex USA granted employee stock options and warrants to the employees of Tanvex USA during 2010 to 2014. As the Group determined to use Tanvex BioPharma, Inc. as a listing company to apply for initial public offering, the Company issued employee stock options to Tanvex USA's employees to replace their original stock options. The fair value of incremental cost arising from the replacement was \$9,891.

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

	2020		2019	
	Weighted-average		Weighted-average	
	Number of shares	exercise price (US\$)	Number of shares	exercise price (US\$)
Options outstanding at January 1	18,687,779	\$ 2.64	17,931,179	\$ 2.84
Options granted	7,467,300	1.27	5,048,900	2.16
Options forfeited	(4,560,200)	2.53	(3,156,050)	3.15
Options exercised	(402,627)	0.96	(1,136,250)	0.78
Options outstanding at December 31	<u>21,192,252</u>	2.26	<u>18,687,779</u>	2.64
Options exercisable at December 31	<u>8,478,977</u>		<u>6,640,679</u>	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2020 and 2019 was \$47.42 (in dollars) and \$67.83 (in dollars), respectively.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issuance date approved	Expiration date	December 31, 2020		December 31, 2019	
		Number of shares	Exercise Price (US\$)	Number of shares	Exercise Price (US\$)
2013.10	2023.10	32,500	\$ 0.20	32,500	\$ 0.20
2014.10 (Note)	2024.10	350,652	0.40	457,779	0.40
2014.10~12	2024.10~12	953,500	0.40	1,095,500	0.40
2015.1~6	2025.1~6	662,000	1.50	975,300	1.50
2015.7	2025.7	-	1.50	525,000	1.50
2015.12	2025.12	240,000	4.79	280,000	4.79
2016.6	2026.6	380,000	3.96	384,500	3.96
2016.7	2026.7	1,034,000	4.76	1,076,500	4.76
2016.9	2026.9	40,000	5.18	70,000	5.18
2016.12	2026.12	600,000	4.57	616,000	4.57
2017.1	2027.1	-	4.66	200,000	4.66
2017.3	2027.3	130,000	4.18	130,000	4.18
2017.6	2027.6	94,000	3.89	168,000	3.89
2017.10	2027.10	2,453,100	3.21	2,547,200	3.21
2017.12	2027.12	93,000	2.51	163,000	2.51
2018.3	2028.3	836,000	3.56	1,086,000	3.56
2018.6	2028.6	194,000	3.44	1,000,000	3.44
2018.9	2028.9	238,000	2.55	330,000	2.55
2018.9	2028.9	1,709,500	2.44	1,897,400	2.44
2018.12	2028.12	950,000	2.04	1,170,000	2.04
2019.4	2029.4	264,000	2.38	490,000	2.38
2019.8	2029.8	2,680,700	2.14	3,585,100	2.14
2019.10	2029.10	166,000	2.07	408,000	2.07

Issuance date approved	Expiration date	December 31, 2020		December 31, 2019	
		Number of shares	Exercise Price (US\$)	Number of shares	Exercise Price (US\$)
2020.1	2030.1	186,000	\$ 1.42	-	-
2020.4	2030.4	1,076,000	1.07	-	-
2020.5	2030.5	5,079,300	1.26	-	-
2020.7	2030.7	660,000	1.59	-	-
2020.10	2030.10	90,000	1.40	-	-

Note: Please refer to the details of employee stock option E.

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

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life (Years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit
Employee stock options A	2013.10	US\$0.20	US\$0.20	41.52%~42.09%	5.5~7	0%	1.42%~1.64%	US\$0.08~0.09
Employee stock options B	2013.10	US\$0.20	US\$0.20	40.84%~41.65%	4~5	0%	1.13%~1.33%	US\$0.07~0.08
Employee stock options D	2014.10~12	US\$0.40	US\$0.40	44.94%~50.16%	5.5~7	0%	1.68%~2.10%	US\$0.17~0.21
Employee stock options F	2015.1~6	US\$1.50	US\$1.50	47.78%~49.59%	5.5~7	0%	1.36%~1.95%	US\$0.64~0.81
Employee stock options G	2015.7	US\$1.50	US\$1.50	44.22%~51.03%	5.5~7	0%	1.74%~2.06%	US\$0.64~0.80
Employee stock options H	2015.12	US\$8.66	US\$4.79	48.60%~52.88%	6~7	0%	1.83%~2.01%	US\$5.50~5.91
Employee stock options I	2016.6	US\$4.01	US\$3.96	48.93%~52.17%	6~7	0%	1.28%~1.42%	US\$1.90~2.15
Employee stock options J	2016.7	US\$5.34	US\$4.76	49.27%~52.00%	6~7	0%	1.13%~1.26%	US\$2.69~2.98
Employee stock options K	2016.9	US\$4.92	US\$5.18	48.7%~50.83%	6~7	0%	1.35%~1.50%	US\$2.25~2.52
Employee stock options L	2016.12	US\$4.61	US\$4.57	44.71%~46.81%	6~7	0%	2.25%~2.42%	US\$2.11~2.36
Employee stock options M	2017.1	US\$4.79	US\$4.66	44.61%~46.71%	6~7	0%	2.09%~2.25%	US\$2.20~2.46
Employee stock options N	2017.3	US\$4.18	US\$4.18	44.54%~46.19%	6~7	0%	2.15%~2.30%	US\$1.89~2.10
Employee stock options O	2017.6	US\$3.80	US\$3.89	44.03%~45.22%	6~7	0%	1.88%~1.99%	US\$1.66~1.83
Employee stock options P	2017.10	US\$3.20	US\$3.21	43.79%~45.32%	6~7	0%	2.19%~2.30%	US\$1.43~1.58
Employee stock options Q	2017.12	US\$2.51	US\$2.51	42.36%~43.25%	6~7	0%	2.22%~2.28%	US\$1.10~1.22
Employee stock options R	2018.3	US\$3.57	US\$3.56	42.13%~44.04%	6~7	0%	2.70%~2.76%	US\$1.59~1.77
Employee stock options S	2018.6	US\$3.43	US\$3.44	45.97%~46.32%	6~7	0%	2.84%~2.89%	US\$1.63~1.76

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life (Years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit
Employee stock options T	2018.9	US\$2.55	US\$2.55	45.49%~ 46.07%	6~7	0%	2.93%~ 2.96%	US\$1.22~ 1.30
Employee stock options U	2018.9	US\$2.44	US\$2.44	45.45%~ 46.02%	6~7	0%	3.02%~ 3.06%	US\$1.17~ 1.25
Employee stock options W	2018.12	US\$2.04	US\$2.04	45.61%~ 46.14%	6~7	0%	2.65%~ 2.68%	US\$0.97~ 1.03
Employee stock options X	2019.4	US\$2.38	US\$2.38	46.23%~ 47.29%	6~7	0%	2.38%~ 2.42%	US\$1.14~ 1.20
Employee stock options Y	2019.8	US\$2.15	US\$2.14	44.39%~ 45.20%	6~7	0%	1.51%~ 1.54%	US\$0.96~ 1.02
Employee stock options Z	2019.10	US\$2.07	US\$2.07	44.55%~ 45.33%	6~7	0%	1.40%~ 1.45%	US\$0.92~ 0.98
Employee stock options AA	2020.1	US\$1.42	US\$1.42	42.95%~ 43.67%	6~7	0%	1.67%~ 1.72%	US\$0.62~ 0.68
Employee stock options AB	2020.4	US\$1.07	US\$1.07	44.86%~ 45.89%	6~7	0%	0.52%~ 0.59%	US\$0.47~ 0.49
Employee stock options AC	2020.5	US\$1.26	US\$1.26	44.63%~ 45.50%	6~7	0%	0.44%~ 0.52%	US\$0.54~ 0.57
Employee stock options AD	2020.7	US\$1.59	US\$1.59	45.51%~ 46.80%	6~7	0%	0.41%~ 0.51%	US\$0.70~ 0.74
Employee stock options AE	2020.10	US\$1.40	US\$1.40	45.36%~ 46.81%	6~7	0%	0.44%~ 0.55%	US\$0.62~ 0.65
Cash capital increase reserved for employee preemption	2020.11	NT\$42.10 (US\$1.49)	NT\$36.00 (US\$1.28)	43.04%	0.05	0%	0.34%	NT\$6.19 (US\$0.22)

Information regarding Employee stock options E before and after conversion is as follows:

Before conversion:

Type of arrangement	Original grant date	Exercise price	Expected price volatility	Expected option life (Years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit
Employee stock options E	2010.6~ 2014.9	US\$0.15~ 0.40	41.37%~ ~42.14%	6.25	0%	1.00%~ 2.46%	US\$0.025~ 0.166
Type of arrangement	Revised date	Exercise price	Expected price volatility	Expected option life (Years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit
Employee stock options E	2014.10	US\$0.15~ 0.40	37.87%~ ~50.16%	3.10~ 6.67	0%	1.06%~ 2.00%	US\$0.01 ~0.04

After conversion:

Type of arrangement	Grant date	Exercise price	Expected price volatility	Expected option life (Years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit
Employee stock options E	2014.10	US\$0.40	37.87%~50.16%	3.10~6.67	0%	1.06%~2.00%	US\$0.11~0.20

F. Aforementioned expenses incurred on share-based payment transactions are shown below:

	For the years ended December 31,	
	2020	2019
Equity-settled	\$ 80,356	\$ 155,716

(12) Share capital

- A. To strengthen working capital, on September 6, 2019, the Board of Directors adopted a resolution to increase capital by issuing 20,000,000 new shares at a premium issuance price of NT\$48 (in dollars) per share. The record date for capital increase was on November 10, 2019. The capital increase had been completed.
- B. To strengthen working capital, on September 9, 2020, the Board of Directors adopted a resolution to increase capital by issuing 47,000,000 new shares at a premium issuance price of NT\$36 (in dollars) per share. The record date for capital increase was on December 1, 2020. The capital increase had been completed.
- C. As of December 31, 2020, the Company's authorized capital was \$5,000,000, and the paid-in capital was \$3,116,067, consisting of 311,606,701 shares, with a par value of NT\$10 per share.
- D. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2020	2019
At January 1	264,204,074	243,067,824
Employee stock options exercised	402,627	1,136,250
Issuance of shares for cash	47,000,000	20,000,000
At December 31	311,606,701	264,204,074

(13) Capital surplus

- A. The Directors shall in accordance with the Companies Law of the Cayman Islands establish a share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any Share.
- B. Subject to the Applicable Listing Rules and the Companies Law of the Cayman Islands, there shall be debited to any share premium account on the redemption or purchase of a Share the difference between the nominal value of such Share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by the Law, out of capital.

(14) Deficit yet to be compensated

A. Under the Company's Articles of Incorporation, the Company by ordinary resolution may declare dividends and other distributions on shares in issue and authorize payment of the same out of the funds of the Company lawfully available thereof. The Company's dividend policy is based on the future capital expenses and the needs of capital, and dividends can be distributed to shareholders in cash or stock. Except for the Applicable Listing Rules, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the Shareholders in the general meeting for approval:

- (a) to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
- (b) to set off cumulative losses of previous years (if any);
- (c) to set aside ten percent (10%) as Legal Reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such Legal Reserve equals to the total paid-up capital of the Company;
- (d) to set aside an amount as Special Reserve pursuant to the Applicable Listing Rules and requirements of the Authority;
- (e) with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus any previously undistributed cumulative Retained Earnings), the Board of Directors may present a proposal to distribute to the Shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares and subject to Cayman Islands law, the amount of dividends shall be at least ten percent (10%) of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of ten percent (10%) and a maximum of one hundred percent (100%) of the total dividends allocated to Shareholders.

B. The Company incurred operating losses for the years ended December 31, 2020 and 2019, and thus had no earnings for distribution.

(15) Other equity items

	2020	2019
	Currency Translation	
At January 1	(\$ 279,382)	(\$ 253,975)
Currency translation differences - Group	(84,656)	(25,407)
At December 31	(\$ 364,038)	(\$ 279,382)

(16) Operating revenue

	For the years ended December 31,	
	2020	2019
Commissioned service revenue	\$ 300	\$ -

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of services over time in the following major product lines and geographical regions:

<u>2020</u>	<u>Taiwan</u>	<u>Total</u>
Revenue from external customer contracts	\$ 300	\$ 300
Timing of revenue		
Over time	\$ 300	\$ 300

The Group has no operating revenue for the year ended December 31, 2019.

(17) Interest income

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 18,563	\$ 21,635
Interest income from financial assets measured at amortized cost	92	41,164
	<u>\$ 18,655</u>	<u>\$ 62,799</u>

(18) Other gains and losses

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Loss on disposal of property, plant and equipment	(\$ 272)	(\$ 140)
Net currency exchange (losses) gains	(5,628)	6,265
	<u>(\$ 5,900)</u>	<u>\$ 6,125</u>

(19) Finance costs

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense:		
Interest expense on bank borrowings	\$ 606	\$ -
Interest expense on lease liabilities	17,964	15,580
Interest expense	<u>\$ 18,570</u>	<u>\$ 15,580</u>

(20) Additional information for expenses by nature

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Employee benefit expense	\$ 668,191	\$ 818,512
Depreciation (Note)	<u>\$ 215,827</u>	<u>\$ 209,475</u>
Amortization	<u>\$ 4,580</u>	<u>\$ 6,489</u>

Note: Depreciation includes depreciation charges on property, plant and equipment and right-of-use assets.

(21) Employee benefit expense

	For the years ended December 31,	
	2020	2019
Wages and salaries	\$ 512,389	\$ 580,354
Compensation cost of share-based payments	80,356	155,716
Directors' remuneration	8,136	8,357
Labor and health insurance fees	55,933	60,569
Pension costs	8,301	9,861
Other personnel expenses	3,076	3,655
	<u>\$ 668,191</u>	<u>\$ 818,512</u>

- A. According to the Articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. The Company had accumulated deficit as of December 31, 2020 and 2019, thus, the Company did not accrue employees' compensation and directors' remuneration.
- C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

	For the years ended December 31,	
	2020	2019
Current tax:		
Current tax for the year	<u>\$ 24</u>	<u>\$ 25</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2020	2019
Income tax calculated based on loss before tax and statutory tax rate	(\$ 610,247)	(\$ 675,638)
Expenses disallowed by tax regulation	2	4
Temporary differences not recognized as deferred tax assets	238	911
Taxable loss not recognized as deferred tax assets	610,007	674,723
Effect from alternative minimum tax	24	25
Income tax expense	<u>\$ 24</u>	<u>\$ 25</u>

C. Research and development investment tax credits and unrecognized deferred tax assets of Tanvex USA, the subsidiary, are as follows:

December 31, 2020				
Year incurred	Unused tax credit	Unrecognized deferred tax assets	Expiry year	
2011	\$ 3,452	\$ 3,452	2031	
2012	6,412	6,412	2032	
2013	7,833	7,833	2033	
2014	3,174	3,174	2034	
2015	15,950	15,950	2035	
2016	15,979	15,979	2036	
2017	29,258	29,258	2037	
2018	24,086	24,086	2038	
2019	39,528	39,528	2039	
2020	37,762	37,762	2040	
	<u>\$ 183,434</u>	<u>\$ 183,434</u>		

December 31, 2019				
Year incurred	Unused tax credit	Unrecognized deferred tax assets	Expiry year	
2011	\$ 3,452	\$ 3,452	2031	
2012	6,412	6,412	2032	
2013	7,833	7,833	2033	
2014	3,174	3,174	2034	
2015	15,950	15,950	2035	
2016	15,979	15,979	2036	
2017	29,258	29,258	2037	
2018	24,086	24,086	2038	
2019	39,528	39,528	2039	
	<u>\$ 145,672</u>	<u>\$ 145,672</u>		

D. Expiration dates of unused taxable loss and amounts of unrecognized deferred tax assets for Tanvex Taiwan, the subsidiary, are as follows:

December 31, 2020				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2010	\$ 57,497	\$ 57,497	\$ 57,497	2020
2011	44,385	44,385	44,385	2021
2012	60,554	60,554	60,554	2022
2013	211,795	211,795	211,795	2023
2014	146,854	146,854	146,854	2024
2015	204,011	204,011	204,011	2025
2016	477,953	477,953	477,953	2026
2017	349,739	349,739	349,739	2027
2018	79,339	79,339	79,339	2028
2019	112,476	112,476	112,476	2029
2020	110,784	110,784	110,784	2030
	<u>\$ 1,855,387</u>	<u>\$ 1,855,387</u>	<u>\$ 1,855,387</u>	

December 31, 2019				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2009	\$ 39,478	\$ 39,478	\$ 39,478	2019
2010	57,497	57,497	57,497	2020
2011	44,385	44,385	44,385	2021
2012	60,554	60,554	60,554	2022
2013	211,795	211,795	211,795	2023
2014	146,854	146,854	146,854	2024
2015	204,011	204,011	204,011	2025
2016	477,953	477,953	477,953	2026
2017	349,739	349,739	349,739	2027
2018	79,339	79,339	79,339	2028
2019	112,476	112,476	112,476	2029
	<u>\$ 1,784,081</u>	<u>\$ 1,784,081</u>	<u>\$ 1,784,081</u>	

E. Expiration dates of unused taxable loss and amounts of unrecognized deferred tax assets for Tanvex USA are as follows:

December 31, 2020				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year (Note)
2011	\$ 159,085	\$ 159,085	\$ 159,085	Indefinite
2012	251,522	251,522	251,522	Indefinite
2013	288,679	288,679	288,679	Indefinite
2014	87,115	87,115	87,115	Indefinite
2015	615,361	615,361	615,361	Indefinite
2016	710,089	710,089	710,089	Indefinite
2017	847,105	847,105	847,105	Indefinite
2018	1,089,451	1,089,451	1,089,451	Indefinite
2019	1,761,067	1,761,067	1,761,067	Indefinite
2020	1,918,367	1,918,367	1,918,367	Indefinite
	<u>\$ 7,727,841</u>	<u>\$ 7,727,841</u>	<u>\$ 7,727,841</u>	

December 31, 2019				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year (Note)
2011	\$ 159,085	\$ 159,085	\$ 159,085	Indefinite
2012	251,522	251,522	251,522	Indefinite
2013	288,679	288,679	288,679	Indefinite
2014	87,115	87,115	87,115	Indefinite
2015	615,361	615,361	615,361	Indefinite
2016	710,089	710,089	710,089	Indefinite
2017	847,105	847,105	847,105	Indefinite
2018	1,089,451	1,089,451	1,089,451	Indefinite
2019	1,761,067	1,761,067	1,761,067	Indefinite
	<u>\$ 5,809,474</u>	<u>\$ 5,809,474</u>	<u>\$ 5,809,474</u>	

Note: The year limitation on the loss carryforward was removed for the US subsidiary due to the US tax law reform in December, 2017.

F. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 23,105</u>	<u>\$ 21,915</u>

G. Tanvex Taiwan's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(23) Loss per share

For the year ended December 31, 2020			
	Amount after tax	Weighted average number of common stock outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share (Note)</u>			
Loss attributable to the parent	(\$ 2,104,236)	268,293	(\$ 7.84)
For the year ended December 31, 2019			
	Amount after tax	Weighted average number of common stock outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share (Note)</u>			
Loss attributable to the parent	(\$ 2,274,226)	245,567	(\$ 9.26)

Note: Options issued to employees do not have dilutive effects, so the diluted loss per share equal to basic loss per share.

(24) Supplemental cash flow information

A. Investing activities with partial cash payments

For the years ended December 31,		
	2020	2019
Acquisition of property, plant and equipment	\$ 66,814	\$ 74,163
Add: Opening balance of equipment payable	3,416	18,351
Less: Ending balance of equipment payable	(4,201)	(3,416)
Cash paid during the year	<u>\$ 66,029</u>	<u>\$ 89,098</u>

B. Investing activities without influencing on the cash flow

For the years ended December 31,		
	2020	2019
Prepaid equipment (shown as “non-current assets - others”) transferred into property, plant and equipment	<u>\$ 2,335</u>	<u>\$ 1,499</u>

(25) Changes in liabilities from financing activities

	2020		
	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ -	\$ 342,740	\$ 342,740
Payments of lease liabilities	-	(67,759)	(67,759)
Proceeds from long-term borrowings	94,866	-	94,866
Changes in other non-cash items			
Contract modification	-	1,230,397	1,230,397
Impact of changes in foreign exchange rate	(4,563)	(76,265)	(80,828)
At December 31	<u>\$ 90,303</u>	<u>\$ 1,429,113</u>	<u>\$ 1,519,416</u>

	2019	
	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 432,297	\$ 432,297
Payments of lease liabilities	(68,180)	(68,180)
Changes in other non-cash items		
Contract modification	(16,328)	(16,328)
Impact of changes in foreign exchange rate	(5,049)	(5,049)
At December 31	<u>\$ 342,740</u>	<u>\$ 342,740</u>

7. RELATED PARTY TRANSACTIONS

Key management compensation

	For the years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 69,775	\$ 86,377
Post-employment benefits	1,178	1,238
Share-based payments	24,430	64,965
	<u>\$ 95,383</u>	<u>\$ 152,580</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Financial assets at amortized cost			
- non-current			
- Time deposits	<u>\$ 182,715</u>	<u>\$ -</u>	Lease credit guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) In line with the purchase of facilities by the Group, the Group entered into contracts for the acquisition of property and equipment amounting to \$12,053 and \$3,147 which have not yet been paid as of December 31, 2020 and 2019, respectively.
- (2) The Group has entered into agreements with contract service providers in performing CRO activities. As of December 31, 2020 and 2019, the services which have not yet been incurred amounted to \$222,546 and \$306,039, respectively (the reimbursement of the drugs and materials used is not included).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Tanvex USA, the subsidiary, signed an agreement with Amgen Inc. on February 27, 2021 whereby Amgen Inc. agreed with the Group's use of its patent license in Canada. This agreement could eliminate the Group's possible infringement in entering Canadian market. Once the Group obtains the drug certificate in Canada, the product can be directly listed for sale, enhancing the Group's overall interests and long-term value.

12. OTHERS

(1) Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern, to maintain an optimal capital structure to reduce the cost of capital, and to provide steady returns for shareholders after the Group turns profit in the future. In order to achieve the above objective, the Group will maintain or adjust the capital structure using the following methods, including but not limited to: raising additional capital, short-term financing from specific persons or organizations, borrowing from the bank, issuing company bond, disposing assets in order to repay debt or replenish operational capital, issuing dividends, and reducing capital, etc. The Group uses the gearing ratio to monitor and manage capital. The gearing ratio is calculated by dividing "net liabilities" by "total equity". "Net liabilities" is calculated by subtracting total liabilities by cash and cash equivalents. "Total equity" is the same amount as indicated in the consolidated balance sheets.

The Group maintains the same strategy in 2020 as its strategy in 2019 to maintain the gearing ratio under 50%. As of December 31, 2020 and 2019, the Group's total liabilities were lower than its cash and cash equivalents, thus the gearing ratio was 0%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 2,068,608	\$ 2,427,451
Financial assets at amortized cost	182,715	-
Other receivables	1,909	1,290
Guarantee deposits paid	6,496	25,622
	<u>\$ 2,259,728</u>	<u>\$ 2,454,363</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Other payables	\$ 232,595	\$ 199,382
Long-term borrowings (including current portion)	90,303	-
	<u>\$ 322,898</u>	<u>\$ 199,382</u>
Lease liabilities	<u>\$ 1,429,112</u>	<u>\$ 342,740</u>

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, as well as recognized assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Company and Tanvex USA's functional currency: USD; Tanvex Taiwan's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020			
(Foreign currency: functional currency)	Foreign currency		
	amount		Book value
	(in thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 2,153	28.11	\$ 60,526
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 23	28.11	\$ 638

December 31, 2019			
(Foreign currency: functional currency)	Foreign currency		
	amount		Book value
	(in thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 5,540	30.06	\$ 166,533
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 26	30.06	\$ 785

- iii. Total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to (\$5,628) and \$6,265, respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2020				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD : NTD	1%	\$ 605	\$	-
Financial liabilities				
Monetary items				
USD : NTD	1%	\$ 6	\$	-
For the year ended December 31, 2019				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD : NTD	1%	\$ 1,665	\$	-
Financial liabilities				
Monetary items				
USD : NTD	1%	\$ 8	\$	-

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, of the customer with same scale past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits

with banks and financial institutions. For banks and financial institutions, only independently rated parties with high credit ratings are accepted.

- ii. No credit limits were exceeded during 2020 and 2019, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments were past due over 90 days.
- iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- v. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	December 31, 2020			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 182,715	\$ -	\$ -	\$ 182,715

The Group has no investments in debt instruments at amortised cost on December 31, 2019. The Group's financial assets at amortised cost are all time deposits, and there is no significant abnormality in credit assessment.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 2 years	Over 2 years
Other payables	\$ 232,595	\$ -	\$ -
Lease liabilities	107,393	138,659	1,470,682
Long-term borrowings (including current portion)	56,025	35,653	-

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 2 years	Over 2 years
Other payables	\$ 199,382	\$ -	\$ -
Lease liabilities	83,567	59,373	242,391

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to table 3.

14. SEGMENT INFORMATION

(1) General information

The Group operates business in a single industry. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified the Group to be a single reportable operating segment.

(2) Measurement of segment information

The accounting policies of the operating segment are in agreement with the significant accounting policies summarized in Note 4. The Group's chief operating decision-maker uses the after-tax net income (loss) as the basis for assessing the performance of the Group's operating segments.

(3) Information about segment profit or loss, assets and liabilities

The segment information of assets, liabilities and income (loss) after tax provided to the chief operating decision-maker is measured in a manner consistent with that in the consolidated balance sheet and consolidated statements of comprehensive income and do not need to reconciled.

(4) Geographical information

Geographical information of the Group for the years ended December 31, 2020 and 2019 is as follows (Financial assets are not included in non-current assets):

	As of and for the year ended December 31, 2020		As of and for the year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 300	\$ 172,245	\$ -	\$ 149,655
United States	-	1,747,756	-	792,742
Total	<u>\$ 300</u>	<u>\$ 1,920,001</u>	<u>\$ -</u>	<u>\$ 942,397</u>

(5) Major customer information

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

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Revenue	Segment	Revenue	Segment
A	<u>\$ 300</u>	Commissioned service revenue	<u>\$ -</u>	-

Tanvex BioPharma, Inc. and Subsidiaries

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

For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020		Addition		Number of shares	Disposal		Gain (loss) on disposal	Balance as at December 31, 2020	
					Number of shares	Amount	Number of shares	Amount		Selling price	Book value		Number of shares	Amount
Tanvex BioPharma, Inc.	Tanvex BioPharma USA, Inc.	Investments accounted for under equity method	Not applicable	Subsidiary										
Disclosure is not required (please refer to Note 2)														

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Tanvex BioPharma, Inc. and Subsidiaries
Information on investees
For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousand shares)	Ownership (%)	Book value			
Tanvex BioPharma, Inc.	Tanvex Biologics, Corp.	Taiwan	Research and development of biosimilar drugs and new drugs	\$ 2,050,535	\$ 2,022,565	211,419	100	\$ 243,390	(\$ 112,538)	(\$ 112,538)	Subsidiary
Tanvex BioPharma, Inc.	Tanvex BioPharma USA, Inc.	US	Formulation and manufacturing of biosimilar drugs and new drugs	7,601,352 (US\$270,415)	6,535,481 (US\$217,415)	1,000	100	645,715 (1,969,363) (1,969,363)	Subsidiary

Note: The exchange rate applied in this table for net profit (loss) is the average for the whole year (USD1:TWD29.51) ; others is based on the end date of reporting period (USD1:TWD28.11).

Tanvex BioPharma, Inc. and Subsidiaries
Major shareholders information
December 31, 2020

Table 3

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Peng Lin Investment Co., Ltd.	70,566,999	22.64%
Tanvex Biologics, Inc.	37,811,668	12.13%
Allen Chao and Lee Hwa Chao Family Trust	22,978,243	7.37%