

**FORMOSA PHARMACEUTICALS, INC. AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2021 AND 2020**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Formosa Pharmaceuticals Inc.

### **Opinion**

We have audited the accompanying consolidated balance sheets of Formosa Pharmaceuticals Inc. and its subsidiary (the "Group") as at December 31, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

### **Key audit matter - Impairment assessment of intangible assets - goodwill**

#### Description

Refer to Note 4(10) for the accounting policies on impairment assessment of non-financial assets, Note 5 for critical judgements adopted in accounting policies on impairment assessment of goodwill and Note 6(5) for account details of intangible assets.

As of December 31, 2021, the balance of the Group's goodwill amounted to NT\$30,544 thousand, which arose from the acquisition of a special technique from the subsidiary, Activus Pharma. Co., Ltd. The Group measured the recoverable amount of cash generating unit by discounting the estimated future cash flows of related research and development projects as a basis of impairment valuation. The valuation model adopted in the impairment assessment has an impact in determining the recoverable amount which involves significant accounting estimates and the estimation of future cash flows. Thus, we considered the impairment assessment of goodwill as a key audit matter.

#### How our audit addressed the matter

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

1. Obtained an understanding on the estimation process of future cash flows and ascertain whether it was in agreement with the budget for the research and development projects in the future.
2. Performed the following procedures based on the obtained valuation report on goodwill impairment prepared by external experts:
  - (1) Assessed whether the valuation methods adopted were reasonable for the industry, environment and the valued assets of the Group;
  - (2) Compared the expected growth rate and net operating interest rate with historical result,

economic and industry forecasts; and

- (3) Compared the discount rate with cost of capital assumptions of cash generating units and rate of returns of similar assets.
3. Recalculated the recoverable amount of cash-generating units by discounting the estimated future cash flows, and ascertained whether the recoverable amount exceeded its book value.

### **Key audit matter – Impairment assessment of intangible assets - technique skill**

#### Description

Refer to Note 4(10) for the accounting policies on impairment assessment of non-financial assets, Note 5 for the accounting policies on special technique impairment assessment and assumption uncertainty, and Note 6(5) for the details of intangible assets.

As of December 31, 2021, the balance of the Group's technique skill amounted to NT\$414,036 thousand, which was obtained from other companies for the development of a new drug. Since the drug is still under development, no cash inflow can be generated. As of the balance sheet date, the Group determines whether the technique skill is impaired based on external and internal information. The Group would then consider to recognise an impairment loss by comparing the recoverable amount if there is an indication that they are impaired. Since the impairment assessment performed by management involves critical judgement and has significant effect on value-in-use valuation, we considered the impairment assessment of technique skill a key audit matter.

#### How our audit addressed the matter

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

1. Reviewed the information used by the Group management for impairment assessment of technique skill including plan and progress for each development project.
2. Discussed with management and assessed whether:
  - (1) The features, marketing advantages and market tendency of the main products including research and development technology are still competitive.
  - (2) The progress of the major research and development plan has no significant delay.
  - (3) The total market value of the company is higher than the net assets as of the balance sheet date.

## **Other matter – Parent company only financial reports**

We have audited and expressed an unqualified opinion on the separate financial statements of Formosa Pharmaceuticals Inc. as at and for the years ended December 31, 2021 and 2020.

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

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

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

Those charged with governance, including 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 control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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.

Yen, Yu-Fang

Yu, Shu-Fen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2022

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

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

**FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 208,917	30	\$ 41,868	9
1210	Other receivables - related parties	7	21	-	-	-
1410	Prepayments	6(2) and 7	25,518	4	10,899	2
1470	Other current assets		40	-	1,755	1
11XX	<b>Total current assets</b>		<u>234,496</u>	<u>34</u>	<u>54,522</u>	<u>12</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(3)	5,056	1	7,943	2
1755	Right-of-use assets	6(4)	3,134	-	6,166	1
1780	Intangible assets	6(5)	445,377	65	392,562	85
1900	Other non-current assets		653	-	653	-
15XX	<b>Total non-current assets</b>		<u>454,220</u>	<u>66</u>	<u>407,324</u>	<u>88</u>
1XXX	<b>Total assets</b>		<u>\$ 688,716</u>	<u>100</u>	<u>\$ 461,846</u>	<u>100</u>
<b>Liabilities and Equity</b>						
<b>Current liabilities</b>						
2200	Other payables	6(6)	\$ 8,708	1	\$ 6,124	1
2220	Other payables to related parties	7	7,311	1	3,790	1
2280	Current lease liabilities		2,757	1	3,031	1
2300	Other current liabilities	6(8)(21)	519	-	32,933	7
21XX	<b>Total current liabilities</b>		<u>19,295</u>	<u>3</u>	<u>45,878</u>	<u>10</u>
<b>Non-current liabilities</b>						
2570	Deferred tax liabilities	6(19)	5,433	1	5,927	1
2580	Non-current lease liabilities		424	-	3,180	1
2600	Net defined benefit liability - non-current	6(5)(8)(21) and 7	270,332	39	206,945	45
25XX	<b>Total non-current liabilities</b>		<u>276,189</u>	<u>40</u>	<u>216,052</u>	<u>47</u>
2XXX	<b>Total liabilities</b>		<u>295,484</u>	<u>43</u>	<u>261,930</u>	<u>57</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(10)	988,321	143	728,321	158
3140	Advance receipts for share capital		-	-	2,000	-
Capital surplus						
3200	Capital surplus	6(11)	620,488	90	270,488	59
Accumulated deficit						
3350	Accumulated deficit	6(12)	( 1,201,534)	( 174)	( 800,651)	( 174)
Other equity interest						
3400	Other equity interest		( 14,534)	( 2)	( 775)	-
31XX	<b>Equity attributable to owners of parent</b>		<u>392,741</u>	<u>57</u>	<u>199,383</u>	<u>43</u>
36XX	<b>Non-controlling interests</b>		<u>491</u>	<u>-</u>	<u>533</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>393,232</u>	<u>57</u>	<u>199,916</u>	<u>43</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 688,716</u>	<u>100</u>	<u>\$ 461,846</u>	<u>100</u>

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



**FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(13)	\$ 28,529	100	\$ -	-
5000	Operating costs		( 267)	( 1)	-	-
5900	Net operating margin		28,262	99	-	-
	Operating expenses	6(17)(18) and 7				
6200	General and administrative expenses		( 20,653)	( 72)	( 17,312)	-
6300	Research and development expenses		( 387,617)	( 1359)	( 216,289)	-
6000	Total operating expenses		( 408,270)	( 1431)	( 233,601)	-
6900	Operating loss		( 380,008)	( 1332)	( 233,601)	-
	Non-operating income and expenses					
7100	Interest income	6(14)	55	-	477	-
7010	Other income		48	-	14	-
7020	Other gains and losses	6(15)	( 16,310)	( 57)	13,062	-
7050	Finance costs	6(4)(16)(21)	( 2,207)	( 8)	( 102)	-
7000	Total non-operating income and expenses		( 18,414)	( 65)	13,451	-
7900	<b>Loss before income tax</b>		( 398,422)	( 1397)	( 220,150)	-
7950	Income tax (expense) benefit	6(19)	( 2,397)	( 8)	420	-
8200	<b>Loss for the year</b>		<u>(\$ 400,819)</u>	<u>( 1405)</u>	<u>(\$ 219,730)</u>	<u>-</u>
	<b>Other comprehensive loss</b>					
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Finance statements translation differences of foreign operations		(\$ 13,865)	( 49)	\$ 133	-
8500	<b>Total comprehensive loss for the year</b>		<u>(\$ 414,684)</u>	<u>( 1454)</u>	<u>(\$ 219,597)</u>	<u>-</u>
	Loss attributable to:					
8610	Owners of the parent		(\$ 400,883)	( 1405)	(\$ 219,659)	-
8620	Non-controlling interests		64	-	( 71)	-
			<u>(\$ 400,819)</u>	<u>( 1405)</u>	<u>(\$ 219,730)</u>	<u>-</u>
	Comprehensive loss attributable to:					
8710	Owners of the parent		(\$ 414,642)	( 1454)	(\$ 219,526)	-
8720	Non-controlling interests		( 42)	-	( 71)	-
			<u>(\$ 414,684)</u>	<u>( 1454)</u>	<u>(\$ 219,597)</u>	<u>-</u>
	Loss per share	6(20)				
9750	Loss per share		<u>(\$ 4.33)</u>		<u>(\$ 3.12)</u>	

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

FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent							Non-controlling interests	Total equity
		Capital		Capital Reserves			Financial statements translation differences of foreign operations	Total		
		Common stock	Advance receipts for share capital	Additional paid-in capital	Others	Accumulated deficit				
<u>2020</u>										
Balance at January 1, 2020		\$ 648,608	\$ -	\$ 182,617	\$ 208	(\$ 580,992)	(\$ 908)	\$ 249,533	\$ 604	\$ 250,137
Loss for the year		-	-	-	-	( 219,659)	-	( 219,659)	( 71)	( 219,730)
Other comprehensive income for the year		-	-	-	-	-	133	133	-	133
Total comprehensive loss		-	-	-	-	( 219,659)	133	( 219,526)	( 71)	( 219,597)
Issuance of common shares for cash	6(10)	79,713	-	79,713	-	-	-	159,426	-	159,426
Employee stock options exercised	6(9)	-	2,000	-	-	-	-	2,000	-	2,000
Compensation cost of employee stock options	6(9)	-	-	-	7,950	-	-	7,950	-	7,950
Balance at December 31, 2020		<u>\$ 728,321</u>	<u>\$ 2,000</u>	<u>\$ 262,330</u>	<u>\$ 8,158</u>	<u>(\$ 800,651)</u>	<u>(\$ 775)</u>	<u>\$ 199,383</u>	<u>\$ 533</u>	<u>\$ 199,916</u>
<u>2021</u>										
Balance at January 1, 2021		<u>\$ 728,321</u>	<u>\$ 2,000</u>	<u>\$ 262,330</u>	<u>\$ 8,158</u>	<u>(\$ 800,651)</u>	<u>(\$ 775)</u>	<u>\$ 199,383</u>	<u>\$ 533</u>	<u>\$ 199,916</u>
Loss for the year		-	-	-	-	( 400,883)	-	( 400,883)	64	( 400,819)
Other comprehensive loss for the year		-	-	-	-	-	( 13,759)	( 13,759)	( 106)	( 13,865)
Total comprehensive loss		-	-	-	-	( 400,883)	( 13,759)	( 414,642)	( 42)	( 414,684)
Issuance of common shares for cash	6(10)	250,000	-	350,000	-	-	-	600,000	-	600,000
Employee stock options exercised	6(9)	<u>10,000</u>	<u>( 2,000)</u>	<u>7,950</u>	<u>( 7,950)</u>	-	-	<u>8,000</u>	-	<u>8,000</u>
Balance at December 31, 2021		<u>\$ 988,321</u>	<u>\$ -</u>	<u>\$ 620,280</u>	<u>\$ 208</u>	<u>(\$ 1,201,534)</u>	<u>(\$ 14,534)</u>	<u>\$ 392,741</u>	<u>\$ 491</u>	<u>\$ 393,232</u>

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

**FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		(\$ 398,422 )	(\$ 220,150 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(3)(4)(17)	5,726	5,876
Amortisation	6(5)(17)	32,001	30,197
Interest expense	6(16)	2,207	102
Interest income	6(14)	( 55 )	( 477 )
Loss on disposal of property, plant and equipment	6(15)	196	719
Property, plant and equipment transferred to expenses	6(3)	45	-
Loss from measurement of contingent consideration	6(15)(21)	37,043	-
Compensation cost of share-based payment	6(9)	-	7,950
Changes in assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		-	6,087
Other receivables		-	2
Other receivables - related parties	(	21 )	-
Prepayments	(	14,619 )	( 3,222 )
Other current assets		1,715	-
Changes in operating liabilities			
Other payables		2,584	( 1,054 )
Other payables - related parties		3,521	( 2,698 )
Other current liabilities	(	143 )	548
Cash outflow generated from operations	(	328,222 )	( 176,120 )
Receipt of interest		55	477
Payment of interest	(	75 )	( 102 )
Payment of income tax	(	2,891 )	-
Net cash flows used in operating activities	(	331,133 )	( 175,745 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(3)	( 221 )	( 4,656 )
Acquisition of intangible assets	6(21)	( 14,853 )	-
Increase in guarantee deposits paid		-	( 10 )
Proceeds from acquisition of subsidiaries	6(21)	( 71,030 )	-
Net cash flows used in investing activities	(	86,104 )	( 4,666 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Repayment of lease liabilities	6(22)	( 3,030 )	( 2,978 )
Issuance of common shares for cash	6(10)	600,000	159,426
Employee stock options exercised	6(9)	8,000	2,000
Net cash flows from financing activities		604,970	158,448
Effect of exchange rate changes on cash and cash equivalents	(	20,684 )	( 13,442 )
Net increase (decrease) in cash and cash equivalents		167,049	( 35,405 )
Cash and cash equivalents at beginning of year		41,868	77,273
Cash and cash equivalents at end of year		<u>\$ 208,917</u>	<u>\$ 41,868</u>

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

FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. History and Organization

Formosa Pharmaceuticals, Inc. (the ‘Company’) was established after the approval of the Ministry of Economic Affairs on December 6, 2010. The Company and its subsidiary (together referred herein as the ‘Group’) are primarily engaged in the development and transfer of new drugs. Formosa Laboratories, Inc. holds 46.63% equity interest in the Company and is the Group’s parent company.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 9, 2022.

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 FSC effective from 2021 are as follows:

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

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

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the

“Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. 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 judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Formosa Pharmaceuticals, Inc.	Activus Pharma Co., Ltd.	Research and development of new drugs	99.23	99.23	

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 consolidated financial statements are presented in NTD, which is the Company's functional and the Company's presentation currency.

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements 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 the period;
- (c) All resulting exchange differences are recognised in other comprehensive income; and
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the

balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-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.

(6) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or 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.

(7) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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	1.33~5 years
Office equipment	2 years
Leasehold improvements	1~2 years
Machinery and equipment	6 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date; and
  - (c) Any initial direct costs incurred by the lessee.

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

(9) Intangible assets

- A. Computer software is stated at cost, and amortised on a straight-line basis over the estimated useful lives of 3.67~5 years.
- B. Technique skill is stated initially at its cost and amortised using the straight-line method over its estimated economic service life of 14~20 years.
- C. Goodwill arose from purchasing special technique from subsidiary which was transferred to the Company in line with the acquisition of the subsidiary.

(10) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.
- B. The recoverable amounts of goodwill that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(11) Employee benefits

A. Short-term employee benefits

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

B. Pensions

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

C. Employees' compensation and directors' and supervisors' remuneration

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

(12) Employee share-based payment

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

(13) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. 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 realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(14) Share capital

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

(15) Revenue recognition

A. Research and development revenue

- (a) The Group provides research and development of drug and related services. Services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised 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 performed service relative to the total service that shall provide. In the beginning of the contract period, when all input cost cannot be reliably measured, if the cost incurred for satisfying performance obligation is expected to be recovered in the future, revenue is recognized up to the amount that is equal to the input cost. The customer pays at the time specified in the payment schedule.

- (b) 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 incircumstances.

**B. Revenue from licencing intellectual property**

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

**(16) 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

**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. The Group has no critical accounting judgments in applying accounting policies, and the critical accounting estimates and key sources of assumption uncertainty information are as follows:

## Critical accounting estimates and assumptions

### A. Impairment assessment of goodwill

Impairment assessment of goodwill relies on the Group's subjective judgement which was based on the discounted value of expected future cash flows to estimate the recoverable amount and analysed the reasonableness of related assumptions. Refer to Note 6(5) for the information of goodwill impairment.

As of December 31, 2021, the Group's goodwill amounted to \$30,544.

### B. Impairment assessment of technology skill

The Group assessed whether there is any indication for impairment based on internal and external information, including the plan and progress of research and development project and the prospect of such technology.

As of December 31, 2021, the Group's special technology amounted to \$414,036.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Petty cash	\$ 10	\$ -
Demand deposits	208,907	41,868
	<u>\$ 208,917</u>	<u>\$ 41,868</u>

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

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

### (2) Prepayments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net input VAT	\$ 13,861	\$ 10,214
Prepaid service fees (Note)	10,534	-
Others	1,123	685
	<u>\$ 25,518</u>	<u>\$ 10,899</u>

Note: Refer to Note 7(3)D. for details.

(3) Property, plant and equipment

Year ended December 31, 2021						
	Machinery and equipment	Testing equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1						
Cost	\$ 37,955	\$ 2,085	\$ 10,412	\$ 1,317	\$ 355	\$ 52,124
Accumulated depreciation	( 33,217)	( 659)	( 9,262)	( 1,043)	-	( 44,181)
	<u>\$ 4,738</u>	<u>\$ 1,426</u>	<u>\$ 1,150</u>	<u>\$ 274</u>	<u>\$ 355</u>	<u>\$ 7,943</u>
At January 1	\$ 4,738	\$ 1,426	\$ 1,150	\$ 274	\$ 355	\$ 7,943
Additions	-	-	-	221	-	221
Transfer	( 19)	355	( 26)	-	( 355)	( 45)
Disposals	( 196)	-	-	-	-	( 196)
Reclassifications	( 430)	1,008	( 578)	-	-	-
Depreciation charge	( 957)	( 937)	( 416)	( 384)	-	( 2,694)
Net exchange differences	( 75)	-	( 98)	-	-	( 173)
At December 31	<u>\$ 3,061</u>	<u>\$ 1,852</u>	<u>\$ 32</u>	<u>\$ 111</u>	<u>\$ -</u>	<u>\$ 5,056</u>
At December 31						
Cost	\$ 3,896	\$ 3,448	\$ 95	\$ 1,538	\$ -	\$ 8,977
Accumulated depreciation	( 835)	( 1,595)	( 63)	( 1,428)	-	( 3,921)
	<u>\$ 3,061</u>	<u>\$ 1,853</u>	<u>\$ 32</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 5,056</u>
Year ended December 31, 2020						
	Machinery and equipment	Testing equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1						
Cost	\$ 36,387	\$ 1,260	\$ 10,401	\$ 769	\$ 143	\$ 48,960
Accumulated depreciation	( 32,484)	( 397)	( 8,443)	( 769)	-	( 42,093)
	<u>\$ 3,903</u>	<u>\$ 863</u>	<u>\$ 1,958</u>	<u>\$ -</u>	<u>\$ 143</u>	<u>\$ 6,867</u>
At January 1	\$ 3,903	\$ 863	\$ 1,958	\$ -	\$ 143	\$ 6,867
Additions	3,896	-	-	548	212	4,656
Disposals	( 719)	-	-	-	-	( 719)
Reclassifications	( 825)	825	-	-	-	-
Depreciation charge	( 1,516)	( 262)	( 812)	( 274)	-	( 2,864)
Net exchange differences	( 1)	-	4	-	-	3
At December 31	<u>\$ 4,738</u>	<u>\$ 1,426</u>	<u>\$ 1,150</u>	<u>\$ 274</u>	<u>\$ 355</u>	<u>\$ 7,943</u>
At December 31						
Cost	\$ 37,955	\$ 2,085	\$ 10,412	\$ 1,317	\$ 355	\$ 52,124
Accumulated depreciation	( 33,217)	( 659)	( 9,262)	( 1,043)	-	( 44,181)
	<u>\$ 4,738</u>	<u>\$ 1,426</u>	<u>\$ 1,150</u>	<u>\$ 274</u>	<u>\$ 355</u>	<u>\$ 7,943</u>

(4) Leasing arrangements - lessee

- A. The Group leases various assets including office and business vehicles. Rental contracts are typically made for periods of 3 to 3.33 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 laboratory and parking space.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Office and business vehicles	\$ 3,134	\$ 6,166

  

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation changes</u>	<u>Depreciation changes</u>
Office and business vehicles	\$ 3,032	\$ 3,012

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$0 and \$2,989, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 75	\$ 102
Expense on short-term lease contracts	207	161
Gain on sublease of right-of-use assets (Note)	20	-

Note: Please refer to Note 7(3)C. for details.

- F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$3,312 and \$3,241, respectively.
- G. 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.

(5) Intangible assets

	Technique skill						Total
	Goodwill	APP13007 Inflammation and pain treatment after cataract surgery	APP13002 Infections eye diseases treatment	TSY-0110 Kadcyla® Biosimilar	TSY-0210 Antibiotic	Computer software	
<u>January 1, 2021</u>							
Cost	\$ 82,166	\$ 231,912	\$ 1,658	\$ 193,851	\$ -	\$ 195	\$ 509,782
Accumulated amortisation and impairment	( 51,622)	( 35,469)	( 350)	( 29,648)	-	( 131)	( 117,220)
	<u>\$ 30,544</u>	<u>\$ 196,443</u>	<u>\$ 1,308</u>	<u>\$ 164,203</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 392,562</u>
<u>2021</u>							
At January 1	\$ 30,544	\$ 196,443	\$ 11,308	\$ 164,203	\$ -	\$ 64	\$ 402,562
Additions	-	-	-	-	84,150	828	84,978
Amortisation	-	( 16,370)	( 99)	( 13,684)	( 1,753)	( 95)	( 32,001)
Net exchange differences	-	-	( 162)	-	-	-	( 162)
At December 31	<u>\$ 30,544</u>	<u>\$ 180,073</u>	<u>\$ 11,047</u>	<u>\$ 150,519</u>	<u>\$ 82,397</u>	<u>\$ 797</u>	<u>\$ 455,377</u>
<u>December 31, 2021</u>							
Cost	\$ 82,166	\$ 231,912	\$ 1,443	\$ 193,851	\$ 84,150	\$ 1,023	\$ 594,545
Accumulated amortisation and impairment	( 51,622)	( 51,839)	( 396)	( 43,332)	( 1,753)	( 226)	( 149,168)
	<u>\$ 30,544</u>	<u>\$ 180,073</u>	<u>\$ 1,047</u>	<u>\$ 150,519</u>	<u>\$ 82,397</u>	<u>\$ 797</u>	<u>\$ 445,377</u>



	Technique skill					Total
	Goodwill	APP13007 Inflammation and pain treatment after cataract surgery	APP13002 Infections eye diseases treatment	TSY-0110 Kadcyla® Biosimilar	Computer software	
<u>January 1, 2021</u>						
Cost	\$ 82,166	\$ 231,912	\$ 1,656	\$ 193,851	\$ 195	\$ 509,780
Accumulated amortisation and impairment	( 51,622)	( 19,099)	( 247)	( 15,964)	( 92)	( 87,024)
	<u>\$ 30,544</u>	<u>\$ 212,813</u>	<u>\$ 1,409</u>	<u>\$ 177,887</u>	<u>\$ 103</u>	<u>\$ 422,756</u>
<u>2020</u>						
At January 1	\$ 30,544	\$ 212,813	\$ 1,409	\$ 177,887	\$ 103	\$ 422,756
Amortisation	-	( 16,370)	( 104)	( 13,684)	( 39)	( 30,197)
Net exchange differences	-	-	3	-	-	3
At December 31	<u>\$ 30,544</u>	<u>\$ 196,443</u>	<u>\$ 1,308</u>	<u>\$ 164,203</u>	<u>\$ 64</u>	<u>\$ 392,562</u>
<u>December 31, 2020</u>						
Cost	\$ 82,166	\$ 231,912	\$ 1,658	\$ 193,851	\$ 195	\$ 509,782
Accumulated amortisation and impairment	( 51,622)	( 35,469)	( 350)	( 29,648)	( 131)	( 117,220)
	<u>\$ 30,544</u>	<u>\$ 196,443</u>	<u>\$ 1,308</u>	<u>\$ 164,203</u>	<u>\$ 64</u>	<u>\$ 392,562</u>

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

	Years ended December 31,	
	2021	2020
Administrative expenses	\$ 56	\$ -
Research and development expenses	31,945	30,197
	<u>\$ 32,001</u>	<u>\$ 30,197</u>

B. The recoverable amount of goodwill was estimated from value in use which was calculated from the estimated economic income of related research and development projects.

The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are operating profit margin growth rate and discount rate.

Management determined budgeted net operating profit margin based on its expectations of market development. The assumptions used for growth rates are based on past historical experience and expectations of industry; the assumption used for discount rate is the weighted average capital cost of the industry. For the years ended December 31, 2021 and 2020, the discount rates were 21.38% and 17.18%, respectively.

C. In November 2018, the Group acquired similar biological medicinal product research and development result (TSY-0110) of Kadcyła® (ado-trastuzumab emtansine, T-DM1) from Formosa Laboratories, Inc., amounting to \$193,851. Based on external experts' valuation, the Company paid \$33,847 upon signing the contract and shall pay milestone payment for each achieved milestones. When the drug is sold in the market, the Company shall pay royalties based on a certain percentage of sales. As at December 31, 2021 and 2020, aforementioned milestone payment was US\$5,200 thousand in total (approximately NT\$143,936 thousand and NT\$148,096 thousand, respectively), which is shown 'other non-current liabilities'.

D. In August 2021, the Group acquired research and development result (TSY-0210) of Streptogramin (Anti-infectives/ Antibiotics) from Formosa Laboratories, Inc. amounting to \$84,150. Based on external experts' valuation, the Company paid \$14,025 upon signing the contract and shall pay milestone payment for each achieved milestones. As at December 31, 2021, aforementioned milestone payment was US\$2,500 thousand (approximately NT\$69,200 thousand), which is shown as 'other non-current liabilities'.

(6) Other payables

	December 31, 2021	December 31, 2020
Salary and bonus payable	\$ 5,561	\$ 2,449
Service fee payable	1,611	754
Others	1,536	2,921
	<u>\$ 8,708</u>	<u>\$ 6,124</u>

(7) Pensions

- A. The Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group 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.
- B. The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2021 and 2020 were \$808 and \$484, respectively.

(8) Other current liabilities and other non-current liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other current liabilities:		
Payable for the acquisition of a company (Note 1)	\$ -	\$ 32,271
Others	<u>519</u>	<u>662</u>
	<u>\$ 519</u>	<u>\$ 32,933</u>
Other non-current liabilities:		
Payable for the acquisition of a company (Note 1)	\$ 57,196	\$ 58,849
Payable for intangible assets (Note 2)	<u>213,136</u>	<u>148,096</u>
	<u>\$ 270,332</u>	<u>\$ 206,945</u>

Note 1: On August 10, 2017, the Company acquired a 100% share equity of Activus Pharma. Co., Ltd. with \$107,294 (US\$3,500 thousand and JPY 5,000 thousand) and contingent consideration of \$170,097 (approximately US\$5,621 thousand). Activus Pharma. Co., Ltd. is primarily engaged in the research and development of micromolecule nano grinding technology and own an APNT nanoparticle formulation platform. Such acquisition is expected to strengthen the Company’s nanomanufacturing process, and expand its market with the various locations and existing collaboration.

The contingent consideration was paid according to the different stages of clinical trials, patent and new drug, up to a maximum amount of US\$8,500 thousand, the price will be paid according to the sales amount regulated in the contract when selling drug in the future. As at December 31, 2021 and 2020, the accumulated contract price were US\$5,000 thousand and US\$2,500 thousand, respectively. As at December 31, 2021, the unpaid amount was \$57,196 (US\$2,066 thousand) which was shown as ‘other non-current liabilities’.

Note 2: Mainly arising from purchasing technology skill from related parties. Refer Note 6 (5) C~D for details.

(9) Share-based payment

A. For the years ended December 31, 2021 and 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	August 1, 2020	1 million shares	5 years	Immediately vested

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

	Year ended December 31, 2021		Year ended December 31, 2020	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	800,000	\$ 10	-	\$ -
Options granted	-	-	1,000,000	10
Options exercised	(800,000)	10	(200,000)	10
Options outstanding at December 31	-	-	800,000	10
Options exercisable at December 31	-	-	800,000	10

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

December 31, 2021: None

Issue date approved	Expiry date	December 31, 2020	
		No. of shares (shares in thousands)	Exercise price (in dollars)
August 1, 2020	July 31, 2025	800,000	\$ 10

D. The fair value of stock options granted on August 1, 2020 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Weighted-average share price (in dollars)	Exercise price (in dollars)	Expected price volatility (Noted)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	August 1, 2020	\$ 16.81 (Note 1)	\$ 10	43.12% (Note 2)	2.5 years	0%	0.26%	\$ 7.95

Note 1: There was no public price, thus, the share price of similar listed and OTC companies was adopted by using price-book ratio as the multiplier taking into consideration the discounts on the liquidity.

Note 2: Estimated from share price data of equal expected duration.

E. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2021	2020
Equity settled	\$ -	\$ 7,950

(10) Share capital

A. As of December 31, 2021, the Company's authorised capital was \$2,000,000, consisting of 200,000 thousand shares of ordinary stock, and the paid-in capital was \$988,321 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movement in the number of the Company's ordinary shares outstanding are as follows (Unit: in thousands of shares):

	Years ended December 31,	
	2021	2020
At January 1	72,832	64,861
Cash capital increase	25,000	7,971
Employee stock options exercised	1,000	-
At December 31	98,832	72,832

C. During the six months ended June 30, 2021 and the year ended December 31, 2020, employees exercised share options of 800,000 shares and 200,000 shares, respectively, for a total of 1,000,000 shares. The registration of the change was completed on May 3, 2021.

D. On March 18, 2020, the Company's Board of Directors approved to increase cash capital of 7,971 thousand shares, with the effective date set on April 17, 2020, at an acquisition price of \$20 per share. The Company received \$159,426 from the capital increase and the registration had been completed.

E. On January 6, 2021, the Company's Board of Directors approved to increase cash capital of 25,000 thousand shares, with the effective date set on March 31, 2021, at an acquisition price of \$24 per share. The Company received \$600,000 from the capital increase and the registration had been completed.

(11) Capital surplus

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

(12) Accumulated deficit

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After that, special reserve shall be set aside or reverse in accordance with the related laws. The remainder, if any, along with prior years' accumulated undistributed earnings comprising the total accumulated distributable earnings shall be distributed as dividends to be proposed by the Board of Directors and resolved by the shareholders or to be retained for the requirement of business.
- B. The Company's dividend distribution policy aligns with the future development plan by taking into account factors such as investment environment, capital needs, domestic and overseas competition, along with the consideration of shareholders' interest. The shareholders' accumulated distributable earnings shall be retained or distributed in the form of cash or shares, and the distribution of cash shall not be lower than 10% of total shareholders' bonus.

(13) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ 28,529	\$ -

A. Disaggregation of revenue from contracts with customers

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

	Intellectual property licencing	Service revenue	Total
<u>Year ended December 31, 2021</u>			
Revenue from external customer contracts			
At a point in time	\$ 28,146	\$ -	\$ 28,146
Over time	-	383	383
	<u>\$ 28,146</u>	<u>\$ 383</u>	<u>\$ 28,529</u>

- B. The Group and Grandpharma (China) Co., Ltd (collectively referred to herein as the 'Grandpharma') entered into a contract for collaborative development and authorisation agreement in China, Hong Kong, Macao and other areas. The Group transferred professional knowledges and provided related data to Grandpharma which will be responsible for clinical development. When Grandpharma successfully develops a new drug, it will obtain the right of production and sales in China, Hong Kong and Macao. Under the contract, the Group can charge signing bonus, milestone payment and royalties as a percentage of sales in the future.

(14) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 55	\$ 477

(15) Other income

	Years ended December 31,	
	2021	2020
Losses on disposals of property, plant and equipment	(\$ 196)	(\$ 719)
Foreign exchange gains	20,967	14,043
Loss from measurement of contingent consideration (Note)	( 37,043)	-
Miscellaneous disbursements	( 38)	( 262)
	<u>(\$ 16,310)</u>	<u>\$ 13,062</u>

Note: The Company acquired a 100% equity interest in Activus Pharma. Co., Ltd. and the contingent consideration was estimated based on the application for clinical trials, patent and new drug. Refer to Note 6(8) for details. Loss was recognised for the difference compared to the actual payment.

(16) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense	\$ 2,207	\$ 102

For the year ended December 31, 2021, the interest expense of \$2,132 pertains to the interest on the contingent consideration generated from the Company's acquisition of a 100% equity interest in Activus Pharma. Co., Ltd. Refer to Note 6(8) for details of aforementioned acquisition.

(17) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 23,827	\$ 20,963
Depreciation charges on right-of-use assets, property, plant and equipment	\$ 5,726	\$ 5,876
Amortisation charges on intangible assets	\$ 32,001	\$ 30,197

(18) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	20,050	11,352
Employee stock options	-	7,950
Labour and health insurance fees	1,294	760
Pension costs	808	484
Directors' compensation	1,221	138
Other personnel expenses	454	279
	<u>\$ 23,827</u>	<u>\$ 20,963</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- B. As at December 31, 2021 and 2020, the Company had an accumulated deficit, thus, no employees' compensation and directors' and supervisors' remuneration was recognised for the years ended December 31, 2021 and 2020.

(19) Income tax

A. Income tax expense (benefit)

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 2,891	\$ 74
Deferred tax:		
Origination and reversal of temporary differences	( 494)	( 494)
	<u>\$ 2,397</u>	<u>(\$ 420)</u>

B. Reconciliation between income tax expense (benefit) and accounting profit

	Years ended December 31,	
	2021	2020
Tax calculated based on loss before tax and statutory tax rate	(\$ 79,630)	(\$ 43,956)
Expenses disallowed by tax regulation	-	2
Temporary differences not recognised as deferred tax assets	1,114	1,858
Taxable loss unrecognised as deferred tax assets	78,600	42,170
Reversal of deferred tax liabilities	( 494)	( 494)
Withholding income tax	2,807	-
Tax expense (benefit)	<u>\$ 2,397</u>	<u>(\$ 420)</u>



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

Year ended December 31, 2021			
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
- Deferred tax liabilities:			
Technique skill	\$ 5,927	(\$ 494)	\$ 5,433
Year ended December 31, 2020			
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
- Deferred tax liabilities:			
Technique skill	\$ 6,421	(\$ 494)	\$ 5,927

D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

December 31, 2021				
Qualifying items	Year incurred	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Act For The Development Of Biotech And New Pharmaceuticals Industry	2011	\$ 2,834	\$ 2,834	Note 1
	2012	8,419	8,419	"
	2013	9,019	9,019	"
	2014	5,702	5,702	"
	2015	5,046	5,046	"
	2016	5,143	5,143	"
	2020	12,973	12,973	Note 2
	2021	109,092	109,092	"
		<u>\$ 158,228</u>	<u>\$ 158,228</u>	

December 31, 2020

Qualifying items	Year incurred	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Act For The Development Of Biotech And New Pharmaceuticals Industry	2011	\$ 2,834	\$ 2,834	Note 1
	2012	8,419	8,419	"
	2013	9,019	9,019	"
	2014	5,702	5,702	"
	2015	5,046	5,046	"
	2016	5,143	5,143	"
	2020	12,973	12,973	Note 2
			<u>\$ 49,136</u>	<u>\$ 49,136</u>

Note 1: On September 7, 2011, the Company was approved as a biotechnology and new drug company by Jing-Shou-Gong-Zi Letter No. 10020417340 of the Ministry of Economic Affairs, R.O.C., and accordingly, the Company and the Company's shareholders were entitled to related incentives of the 'Act For The Development Of Biotech And New Pharmaceuticals Industry'. The approval letter was effective within 5 years from the date after the approval. The investment tax credits from research and development and employees' training expenditure can be used starting from the year the Company has taxable profit, and if the amount of business income tax was not sufficient to offset, it can be offset within 4 years starting from the year the Company has taxable profit.

Note 2: On August 4, 2020, the Company was approved as a biotechnology and new drug company by Jing-Shou-Gong-Zi Letter No. 10920422850 of the Ministry of Economic Affairs, R.O.C., and accordingly, the Company and the Company's shareholders were entitled to related incentives of the 'Act For The Development Of Biotech And New Pharmaceuticals Industry'. The approval letter was effective within 5 years from the date after the approval. The investment tax credits from research and development and employees' training expenditure can be used starting from the year the Company has taxable profit, and if the amount of business income tax was not sufficient to offset, it can be offset within 5 years starting from the year the Company has taxable profit.

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused tax credits	Unrecognised deferred tax assets	Expiry year
2012	Assessed	\$ 28,519	\$ 28,519	2022
2013	Assessed	25,894	25,894	2023
2014	Assessed	22,130	22,130	2024
2015	Assessed	15,773	15,773	2025
2016	Assessed	33,933	33,933	2026
2017	Assessed	45,682	45,682	2027
2018	Assessed	116,382	116,382	2028
2019	Assessed	175,069	175,069	2029
2020	Filed	226,698	226,698	2030
2021	Filed	392,999	392,999	2031
		<u>\$ 1,083,079</u>	<u>\$ 1,083,079</u>	

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused tax credits	Unrecognised deferred tax assets	Expiry year
2011	Assessed	\$ 12,096	\$ 12,096	2021
2012	Assessed	28,519	28,519	2022
2013	Assessed	25,894	25,894	2023
2014	Assessed	22,130	22,130	2024
2015	Assessed	15,773	15,773	2025
2016	Assessed	33,933	33,933	2026
2017	Assessed	45,682	45,682	2027
2018	Assessed	116,382	116,382	2028
2019	Assessed	175,069	175,069	2029
2020	Filed	226,698	226,698	2030
		<u>\$ 702,176</u>	<u>\$ 702,176</u>	

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	<u>\$ 264,096</u>	<u>\$ 244,183</u>

G. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(20) Loss per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 400,883)	92,492	(\$ 4.33)

  

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 219,659)	70,502	(\$ 3.12)

(21) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2021	2020
Acquisition of subsidiaries	\$ -	\$ -
Add: Beginning contingent consideration payable (Shown as 'other current/ non-current liabilities')	91,120	96,815
Net exchange differences	( 2,069)	( 5,695)
Interest expense	2,132	-
Loss from measurement of contingent consideration	37,043	-
Less: Ending contingent consideration payable (Shown as 'other current/ non-current liabilities')	( 57,196)	( 91,120)
Cash paid during the year	\$ 71,030	\$ -
Acquisition of intangible assets	\$ 84,978	\$ -
Add: Beginning contingent consideration payable (Shown as 'other non-current liabilities')	148,096	155,896
Net exchange differences	( 5,085)	( 7,800)
Less: Ending contingent consideration payable (Shown as 'other non-current liabilities')	( 213,136)	( 148,096)
Cash paid during the year	\$ 14,853	\$ -

(22) Changes in liabilities from financing activities

	Years ended December 31,	
	2021	2020
	Lease liability	Lease liability
At January 1	\$ 6,211	\$ 6,200
Changes in cash flow from financing activities	( 3,030)	( 2,978)
Others	-	2,989
At December 31	<u>\$ 3,181</u>	<u>\$ 6,211</u>

7. Related Party Transactions

(1) Parent and ultimate controlling party

Formosa Laboratories, Inc. is the single largest major shareholder of the Company and conducted the Company's significant operating activities, and is the Company's ultimate parent company. In addition, the Company continuously increased cash capital and attracted new investors in 2018. As of December 31, 2021, Formosa Laboratories, Inc. held 46.63% equity interest in the Company.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Formosa Laboratories, Inc.	Parent company
EirGenix, Inc.	Other related party
AimMax Therapeutics, Inc. (Note)	Other related party
ImmunAdd Inc.	Other related party

Note: The Company's former director was the same as the Company's Executive Director. Since the reelection of directors on July 9, 2021, there was no longer a director and the entity was not anymore considered a related party of the Company. Transactions reflected pertain to transactions prior to the reelection of the directors

(3) Significant related party transactions

A. Administrative expenses

	Years ended December 31,	
	2021	2020
Parent Company	<u>\$ 614</u>	<u>\$ 461</u>

The above pertains to the resource management service provided by the parent company. The payment terms were based on the mutual agreement.

B. Research and development expense

	Years ended December 31,	
	2021	2020
Parent Company	\$ 42,199	\$ 33,846
AimMax Therapeutics, Inc.	38,946	51,994
Other related parties	4,704	2,434
	<u>\$ 85,849</u>	<u>\$ 88,274</u>

- (a) The Group has engaged AimMax Therapeutics, Inc. for clinical development services. The price and payment terms were based on mutual agreement, and there were no similar transactions that can be compared with. The Group will pay expenses according to the progress of the research and development up to a maximum of US\$14,150 thousand.
- (b) For the manufacturing process and research method of active pharmaceutical ingredients commissioned to parent company, there were no similar transactions that can be compared with and was based on mutual agreement. The payment term was not significantly different from regular transactions.

C. Lease revenue (shown as other income)

	Years ended December 31,	
	2021	2020
Other related parties	<u>\$ 20</u>	<u>\$ -</u>

The Company leased office to related parties. The price was based on mutual agreement and the rent is collected monthly in accordance with the contract.

D. Prepayments

	December 31, 2021	December 31, 2020
Parent Company	<u>\$ 10,534</u>	<u>\$ -</u>

The above pertains to the prepaid service fee for research and development of manufacturing and method of active pharmaceutical ingredients.

E. Other receivables

	December 31, 2021	December 31, 2020
Other related parties	<u>\$ 21</u>	<u>\$ -</u>

The above pertains to rent receivable from other related parties. Please refer to C. above.

F. Other payables

	December 31, 2021	December 31, 2020
Parent company	<u>\$ 7,311</u>	<u>\$ 3,790</u>

Other payables to related parties arose from management service and research and development transactions. The payment was due on 25<sup>th</sup> of the month after the transaction date.

#### G. Other current/non-current liabilities

The Group acquired technology skill from the parent company, which remains unpaid and was accounted as other current and non-current liabilities. Please refer to Notes 6(5) and (8) for details.

#### H. Property transactions

For the year ended December 31, 2021, the Group acquired the technology skill from the parent company. Please refer to Note 6(5) D. for details. There were no such transaction for the year ended December 31, 2020.

#### (4) Key management compensation

	Years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 10,332	\$ 5,299
Post-employment benefits	207	117
Share-based payments	-	2,385
	<u>\$ 10,539</u>	<u>\$ 7,801</u>

#### 8. Pledged Assets

None.

#### 9. Significant Contingent Liabilities and Unrecognised Contract Commitments

Please refer to Notes 6(5)(8) and Note 7(3) for details.

#### 10. Significant Disaster Loss

None.

#### 11. Significant Events after the Balance Sheet Date

- (1) On December 28, 2021, the Group applied for 2021 second issuance of employee share options to the FSC and was approved by the FSC effective on January 7, 2022. In addition, on March 9, 2022, the Company's Board of Directors approved the issuance of employee share options to the Company's permanent employees.
- (2) In order to fulfil operating capital, on March 9, 2022, th Company's Board of Directors resolved to increase cash capital by issuing new shares up to 24,000 thousand shares at a temporarily issuance price of NT\$28 ~NT\$56 with a par value of NT\$10 per share.
- (3) In order to strengthen collaboration and lower the research and development risk, on March 9, 2022, the Company's Board of Directors approved the amendment of the development and manufacturing of TSY-0110 collaborative contract with EirGenix, Inc.

#### 12. Others

##### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group

may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Please refer to the balance sheet of each period for related liabilities and capital ratio.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 208,917	\$ 41,868
Other receivables (including related parties)	21	-
Refundable deposits (shown as ‘other non-current assets’)	653	653
	<u>\$ 209,591</u>	<u>\$ 42,521</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Other payables (including related parties)	\$ 16,019	\$ 9,914
Contingent consideration payable (shown as ‘other current/ non-current liabilities’)	270,332	239,216
	<u>\$ 286,351</u>	<u>\$ 249,130</u>
Lease liabilities	<u>\$ 3,181</u>	<u>\$ 6,211</u>

B. Financial risk management policies

The Group has adopted overall risk management and control system to identify, evaluate and control all risks including market risk, credit risk, liquidity risks and cash flow risks in order for the management to control and evaluate these risks effectively.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. The Group treasury uses forward foreign exchange contracts to manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity’s functional currency.
- iii. The Group’s businesses involve some non-functional currency operations (the



Company's functional currency: NTD and subsidiaries' functional currency: JPY). 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, 2021		
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:JPY (Note)	\$ 3,400	115.09	\$ 94,112
<u>Non-monetary items</u>			
JPY:NTD	392,136	0.2405	95,593
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	13,166	27.68	364,444

Note: Subsidiaries' functional currency is JPY. Therefore, the Group shall consider these items when disclosing the above information.

	December 31, 2020		
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:JPY (Note)	\$ 3,400	103.08	\$ 96,832
<u>Non-monetary items</u>			
JPY:NTD	365,618	0.28	101,020
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	11,799	28.48	336,048

Note: Subsidiaries' functional currency is JPY. Therefore, the Group shall consider these items when disclosing the above information.

- iv. The total exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$20,967 and \$14,043, respectively.

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

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:JPY	1%	\$ 941	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	3,644	-
	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:JPY	1%	\$ 968	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	3,360	-

#### Price risk

The Group did not hold investment in financial assets, so there was no risk for price change.

#### Cash flow and fair value interest rate risk

The Group had no borrowing, there was no risk for interest rate change.

#### (b) Credit risk

Credit risk arises from deposits with banks and financial institutions. The Company's credit risk mainly arose from deposits in banks and financial institutions with good rating.

#### (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 at all times.

ii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
<u>December 31, 2021</u>				
Other payables (including related parties)	\$ 16,019	\$ -	\$ -	\$ -
Other non-current liabilities (including current portion that expire in one year)	-	71,036	55,360	143,936
Lease liabilities	2,785	425	-	-
	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
<u>December 31, 2020</u>				
Other payables (including related parties)	\$ 9,914	\$ -	\$ -	\$ -
Other non-current liabilities (including current portion that expire in one year)	32,271	-	101,569	105,376
Lease liabilities	3,106	2,785	425	-

(3) Fair value information

The Group has no financial and non-financial instruments measured at fair value.

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: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 1.

(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

A. Basic information: None.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. Segment Information

(1) General information

The Group operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group measured the performance of operating segment with the profit after tax of continuing operations. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

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

The Group has only one reportable operating segment and the reportable information is identical with the financial statements.

(4) Reconciliation for segment income (loss)

The net income of continuing operations reported to the chief operating decision-maker is measured in a manner consistent with revenues, costs and expenses in the statement of comprehensive income. The Group did not provide total assets amount and total liabilities amount to chief operating decision-maker for operating decisions. There is no difference between the presentation of segment report and income statement and accordingly, no reconciliation is required to be disclosed.

(5) Information on products and services

Please refer to Note 6 (13) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 28,529	\$ 453,567	\$ -	\$ 404,462
Japan	-	-	-	2,209
Total	<u>\$ 28,529</u>	<u>\$ 453,567</u>	<u>\$ -</u>	<u>\$ 406,671</u>

(7) Major customer information

For the year ended December 31, 2021, the Group's single customer that exceeded 10% of the operating revenue in the consolidated comprehensive income statements is as follows. There was no revenue in 2020, thus, there was no major customer information.

	<u>Year ended December 31, 2021</u>	
	<u>Revenue</u>	
B company	\$	27,851

Formosa Pharmaceuticals Inc. and Subsidiary  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	2	Long-term receivables	\$ 94,112	Note 5	14%

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

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

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

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

Note 4: Only amount in excess of \$10 million of related party transactions are disclosed, and the transaction were eliminated when preparing the consolidated financial statements.

Note 5: Represents receivables arising from license transaction in 2018 and the payment terms of this transaction was based on the mutual agreement. However, the transaction amount of \$196,928 was not recognised profit or loss due to it is identified as business transfer within the Group.

Formosa Pharmaceuticals Inc. and Subsidiary

Information on investees

For the year ended December 31, 2021

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, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Note
				Balance as at December 31, 2021	Balance as at December 31, 2020		Number of shares	Ownership (%)	Book value			
Formosa Pharmaceuticals Inc.	Activus Pharma. Co., Ltd.	Japan	Research and development of new drugs	\$ 274,633	\$ 274,633		1,942	99.23%	\$ 95,593	\$ 8,755	\$ 8,332	