

**ADIMMUNE CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2020 AND 2021**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Adimmune Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Adimmune Corporation and subsidiaries (“the Group”) as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and of its consolidated

financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Liu, Mei-Lan

Hsu, Chien-Yeh

For and on behalf of PricewaterhouseCoopers, Taiwan

May 12, 2021

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

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.

ADIMMUNE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2020 AND MARCH 31, 2021

(Expressed in thousands of dollars)

(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2020 AND 2021 ARE REVIEWED, NOT AUDITED)

Assets	Notes	March 31, 2020	December 31, 2020	March 31, 2021	March 31, 2021
		NT\$	NT\$	NT\$	US\$ (unreviewed) (Note 4)
Current assets					
Cash and cash equivalents	6(1)	\$ 1,909,356	\$ 4,087,463	\$ 3,594,877	\$ 126,223
Financial assets at fair value through profit or loss - current		753	-	-	-
Financial assets at amortised cost - current	6(2) and 8	47,603	349,558	291,500	10,235
Notes receivable, net	6(3)	-	12	-	-
Accounts receivable, net	6(3)	29,924	109,737	6,706	235
Inventories	6(4)	340,602	302,048	416,590	14,627
Prepayments		143,301	165,455	229,221	8,048
Other current assets		62,075	32,295	54,852	1,926
Current Assets		<u>2,533,614</u>	<u>5,046,568</u>	<u>4,593,746</u>	<u>161,294</u>
Non-current assets					
Financial assets at fair value through other comprehensive income - non-current	6(5)	111,906	137,082	146,483	5,143
Financial assets at amortised cost - non-current	6(2) and 8	1,141,817	1,997	1,985	70
Property, plant and equipment	6(6) and 8	2,273,508	2,336,938	2,507,565	88,047
Right-of-use assets		7,475	15,363	19,387	681
Investment property, net	6(7)	23,252	23,252	23,252	816
Intangible assets	6(8)	138,206	138,915	133,369	4,683
Deferred income tax assets		227,707	227,890	227,890	8,002
Other non-current assets	6(9)	236,908	545,409	684,945	24,050
Non-current assets		<u>4,160,779</u>	<u>3,426,846</u>	<u>3,744,876</u>	<u>131,492</u>
Total assets		<u>\$ 6,694,393</u>	<u>\$ 8,473,414</u>	<u>\$ 8,338,622</u>	<u>\$ 292,786</u>

(Continued)

ADIMMUNE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2020 AND MARCH 31, 2021

(Expressed in thousands of dollars)

(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2020 AND 2021 ARE REVIEWED, NOT AUDITED)

Liabilities and Equity	Notes	March 31, 2020	December 31, 2020	March 31, 2021	March 31, 2021
		NT\$	NT\$	NT\$	US\$ (unreviewed) (Note 4)
Current liabilities					
Current contract liabilities	6(18)	\$ 126,789	\$ 167,905	\$ 183,807	\$ 6,454
Notes payable		-	167,905	24,916	875
Accounts payable		47,510	23,455	63,210	2,219
Other payables		115,329	222,828	267,910	9,407
Current lease liabilities		3,125	7,232	9,136	321
Other current liabilities	6(10)(12)	81,144	103,986	89,038	3,124
Current Liabilities		<u>373,897</u>	<u>525,406</u>	<u>638,017</u>	<u>22,400</u>
Non-current liabilities					
Corporate bonds payable	6(11) and 8	498,453	-	-	-
Long-term borrowings	6(12) and 8	1,066,000	1,307,307	1,306,786	45,884
Non-current lease liabilities		4,119	7,129	9,323	327
Other non-current liabilities	6(13)	40,063	4,885	4,803	169
Non-current liabilities		<u>1,608,635</u>	<u>1,319,321</u>	<u>1,320,912</u>	<u>46,380</u>
Total Liabilities		<u>1,982,532</u>	<u>1,844,727</u>	<u>1,958,929</u>	<u>68,780</u>
Equity					
Share capital	6(15)				
Share capital - common stock		4,070,611	4,295,078	4,295,078	150,810
Capital surplus	6(16)				
Capital surplus		1,666,472	830,210	837,777	29,416
Retained earnings	6(17)				
Unappropriated retained earnings (Accumulated deficit)		(1,242,449)	1,122,866	867,267	30,452
Other equity interest					
Other equity interest	6(5)	42,856	68,032	77,433	2,719
Equity attributable to owners of the parent		<u>4,537,490</u>	<u>6,316,186</u>	<u>6,077,555</u>	<u>213,397</u>
Non-controlling interest		174,371	312,501	302,138	10,609
Total equity		<u>4,711,861</u>	<u>6,628,687</u>	<u>6,379,693</u>	<u>224,006</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant events after the balance sheet date	11				
Total liabilities and equity		<u>\$ 6,694,393</u>	<u>\$ 8,473,414</u>	<u>\$ 8,338,622</u>	<u>\$ 292,786</u>

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

ADIMMUNE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2021
(Expressed in thousands of dollars, except loss per share)
(UNAUDITED)

Items	Notes	March 31, 2020	March 31, 2021	March 31, 2021
		NT\$	NT\$	US\$ (unreviewed) (Note 4)
Sales revenue	6(18)	\$ 367,014	\$ 6,930	\$ 243
Operating costs	6(4)(8)(22)	(292,005)	(89,032)	(3,126)
Net operating margin		<u>75,009</u>	<u>(82,102)</u>	<u>(2,883)</u>
Unrealized loss from sales		56	-	-
Operating expenses	6(8)(22)			
Selling expenses		(7,416)	(2,406)	(84)
General & administrative expenses		(50,374)	(90,381)	(3,173)
Research and development expenses		(36,805)	(102,963)	(3,615)
Total operating expenses		<u>(94,595)</u>	<u>(195,750)</u>	<u>(6,872)</u>
Operating loss		<u>(19,530)</u>	<u>(277,852)</u>	<u>(9,755)</u>
Non-operating income and expenses				
Interest income	6(19)	392	859	30
Other income	6(20)	1,621	21,394	751
Other gains and losses	6(21)	2,567	(581)	(20)
Finance costs	6(23)	(8,363)	(3,981)	(140)
Total non-operating income and expenses		<u>(3,783)</u>	<u>17,691</u>	<u>621</u>
Loss before income tax		<u>(23,313)</u>	<u>(260,161)</u>	<u>(9,134)</u>
Income tax expense	6(24)	-	-	-
Loss for the period		<u><u>(\$ 23,313)</u></u>	<u><u>(\$ 260,161)</u></u>	<u><u>(\$ 9,134)</u></u>

(Continued)

ADIMMUNE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2021
(Expressed in thousands of dollars, except loss per share)
(UNAUDITED)

Items	Notes	March 31, 2020	March 31, 2021	March 31, 2021
		NT\$	NT\$	US\$ (unreviewed) (Note 4)
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Unrealized gain and loss on valuation of equity instruments at fair value through other comprehensive income	6(5)	(\$ 59,883)	\$ 9,401	\$ 330
Components of other comprehensive income that will not be reclassified to profit or loss				
Other comprehensive income(loss) for the period		<u>(\$ 59,883)</u>	<u>9,401</u>	<u>330</u>
Total comprehensive income (loss) for the period		<u>(\$ 83,196)</u>	<u>(\$ 250,760)</u>	<u>(\$ 8,804)</u>
Loss, attributable to:				
Owners of the parent		(\$ 16,851)	(\$ 249,798)	(\$ 8,770)
Non-controlling interest		(6,462)	(10,363)	(364)
Total		<u>(\$ 23,313)</u>	<u>(\$ 260,161)</u>	<u>(\$ 9,134)</u>
Comprehensive loss attributable to:				
Owners of the parent		(\$ 76,734)	(\$ 240,397)	(\$ 8,440)
Non-controlling interest		(6,462)	(10,363)	(364)
Total		<u>(\$ 83,196)</u>	<u>(\$ 250,760)</u>	<u>(\$ 8,804)</u>
Basic earnings per share(in dollars)	6(25)	(\$ 0.05)	(\$ 0.58)	(\$ 0.02)
Total basic earnings per share		<u>(\$ 0.05)</u>	<u>(\$ 0.58)</u>	<u>(\$ 0.02)</u>
Diluted earnings per share(in dollars)	6(25)	(\$ 0.05)	(\$ 0.58)	(\$ 0.02)
Total diluted earnings per share		<u>(\$ 0.05)</u>	<u>(\$ 0.58)</u>	<u>(\$ 0.02)</u>

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

ADIMMUNE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2020 AND 2021
(Expressed in thousands of dollars)

(UNAUDITED)

Equity attributable to owners of the parent

Notes	Capital Reserves							Retained earnings (Accumulated deficit)	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity
	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Employee stock warrants	Stock warrants	Others						
<u>2020 - New Taiwan Dollars</u>													
Balance at January 1, 2020	\$ 3,631,576	\$ 1,060,642	\$ 258	\$ 21,182	\$ 10,925	\$ 14,438	\$ 29,176	(\$ 1,225,598)	\$ 102,739	\$ -	\$ 3,645,338	\$ 180,335	\$ 3,825,673
Net loss	-	-	-	-	-	-	-	(16,851)	-	-	(16,851)	(6,462)	(23,313)
Other comprehensive loss	6(5)	-	-	-	-	-	-	-	(59,883)	-	(59,883)	-	(59,883)
Total comprehensive loss		-	-	-	-	-	-	(16,851)	(59,883)	-	(76,734)	(6,462)	(83,196)
Share-based payments	6(14)	-	-	-	498	-	-	-	-	-	498	498	996
Cover of equity conversion options	6(15)	439,035	538,960	-	-	(9,607)	-	-	-	-	968,388	-	968,388
Balance at March 31, 2020	\$ 4,070,611	\$ 1,599,602	\$ 258	\$ 21,182	\$ 11,423	\$ 4,831	\$ 29,176	(\$ 1,242,449)	\$ 42,856	\$ -	\$ 4,537,490	\$ 174,371	\$ 4,711,861
<u>2021 - New Taiwan Dollars</u>													
Balance at January 1, 2021	\$ 4,295,078	\$ 817,861	\$ -	\$ -	\$ 12,349	\$ -	\$ -	\$ 1,122,866	\$ 68,032	\$ -	\$ 6,316,186	\$ 312,501	\$ 6,628,687
Net loss		-	-	-	-	-	-	(249,798)	-	-	(249,798)	(10,363)	(260,161)
Other comprehensive income	6(5)	-	-	-	-	-	-	-	9,401	-	9,401	-	9,401
Total comprehensive income(loss)		-	-	-	-	-	-	(249,798)	9,401	-	(240,397)	(10,363)	(250,760)
Share-based payments	6(14)	-	-	-	7,827	-	-	-	-	-	7,827	-	7,827
Exercise of employee share options	6(14)	-	-	-	(260)	-	-	(5,801)	-	-	(6,061)	-	(6,061)
Balance at March 31, 2021	\$ 4,295,078	\$ 817,861	\$ -	\$ -	\$ 19,916	\$ -	\$ -	\$ 867,267	\$ 77,433	\$ -	\$ 6,077,555	\$ 302,138	\$ 6,379,693
<u>2021 - US Dollars (unreviewed) (Note 4)</u>													
Balance at January 1, 2021	\$ 150,810	\$ 28,717	\$ -	\$ -	\$ 434	\$ -	\$ -	\$ 39,426	\$ 2,389	\$ -	\$ 221,776	\$ 10,973	\$ 232,749
Net loss		-	-	-	-	-	-	(8,770)	-	-	(8,770)	(364)	(9,134)
Other comprehensive income	6(5)	-	-	-	-	-	-	-	330	-	330	-	330
Total comprehensive income(loss)		-	-	-	-	-	-	(8,770)	330	-	(8,440)	(364)	(8,804)
Share-based payments	6(14)	-	-	-	274	-	-	-	-	-	274	-	274
Exercise of employee share options	6(14)	-	-	-	(9)	-	-	(204)	-	-	(213)	-	(213)
Balance at March 31, 2021	\$ 150,810	\$ 28,717	\$ -	\$ -	\$ 699	\$ -	\$ -	\$ 30,452	\$ 2,719	\$ -	\$ 213,397	\$ 10,609	\$ 224,006

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

ADIMMUNE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2021
(Expressed in thousands of dollars)
(UNAUDITED)

	Notes	March 31, 2020	March 31, 2021	March 31, 2021
		NT\$	NT\$	US\$ (unreviewed) (Note 4)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Loss before tax		(\$ 23,313)	(\$ 260,161)	(\$ 9,134)
Adjustments				
Adjustments to reconcile profit (loss)				
Depreciation (including right-of-use assets)	6(6)(22)	52,628	47,249	1,659
Amortisation	6(22)	5,509	6,202	218
Other expense		375	375	13
Net gain on financial assets or liabilities at fair value through profit or loss	6(21)	(1,141)	-	-
Interest expense	6(23)	8,363	3,981	140
Interest income	6(19)	(392)	(859)	(30)
Share-based payments	6(14)	996	7,827	275
Gain on disposal of property, plant and equipment	6(21)	(1)	(10)	-
Changes in operating assets and liabilities				
Changes in operating assets				
Notes receivable, net		-	12	-
Accounts receivable, net		475,128	103,031	3,618
Inventories		87,293	(114,542)	(4,022)
Prepayments		18,566	(63,766)	(2,239)
Other current assets		(20,818)	(29,057)	(1,020)
Changes in operating liabilities				
Accounts payable, net		37,402	39,755	1,396
Contract liabilities - current		113,353	15,903	558
Other payables		1,180	(36,025)	(1,265)
Other current liabilities		(43)	(14,953)	(525)
Net defined benefit liabilities - non - current		(85)	(85)	(3)
Other non-current liabilities		281	3	-
Cash inflow (outflow) generated from operations		755,281	(295,120)	(10,361)
Interest paid		(5,400)	(3,893)	(137)
Interest received		229	887	31
Net cash flows from (used in) operating activities		750,110	(298,126)	(10,467)

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ADIMMUNE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2021
(Expressed in thousands of dollars)
(UNAUDITED)

	Notes	March 31, 2020	March 31, 2021	March 31, 2021
		NT\$	NT\$	US\$ (unreviewed) (Note 4)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Decrease in financial assets at amortised cost-current		\$ 3,497	\$ 58,058	\$ 2,039
Decrease in financial assets at amortised cost-non-current		-	12	-
Acquisition of property, plant and equipment	6(26)	(653)	(109,641)	(3,850)
Proceeds from disposal of property, plant and equipment		1	10	-
Prepaid equipment		(31,062)	(140,133)	(4,920)
Decrease in refundable deposits		98,748	407	14
Acquisition of intangible assests	6(8)	-	(430)	(15)
Net cash flows from (used in) investing activities		<u>70,531</u>	<u>(191,717)</u>	<u>(6,732)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Repayment from long-term borrowings	6(27)	-	(571)	(20)
Repayment of principal portion of lease liabilities	6(27)	(1,277)	(2,226)	(78)
Increase in guarantee deposits received		<u>36,086</u>	<u>-</u>	<u>-</u>
Net cash flows from financing activities		<u>34,809</u>	<u>(2,743)</u>	<u>(98)</u>
Net increase(decrease) in cash and cash equivalents		855,450	(492,586)	(17,297)
Cash and cash equivalents at beginning of period	6(1)	<u>1,053,906</u>	<u>4,087,463</u>	<u>143,520</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 1,909,356</u>	<u>\$ 3,594,877</u>	<u>\$ 126,223</u>

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

ADIMMUNE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2021

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

1. HISTORY AND ORGANISATION

Adimmune Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in 1965. The Company and its subsidiary (collectively referred herein as the “Group”) are primarily engaged in the development, manufacture and distribution of vaccines and other biological products. The Company’s shares were approved to be traded in the Taiwan Stock Exchange starting from May 3, 2012.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on May 12, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

None.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- 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:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2020.

B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			March 31, 2020	December 31, 2020	March 31, 2021
Adimmune Corporation	Enimmune Corporation	Biotechnology industry	49.63	51	51
Adimmune Corporation	Global Commonwealth Life Science (Holdings) Limited	General investment	100	100	100
Adimmune Corporation	ADIMMUNE B.V.	General investment	100	100	100
Adimmune Corporation	Eggs Corporation	Animal husbandry	100	100	100
Adimmune Corporation	Adimmune Co., Ltd. Nanjing, China	Trading	100	100	100
Eggs Corporation	Animmune Corporation	Biotechnology industry	51.22	51.22	51.22

On December 21, 2019, the Board of Directors of Enimmune Corporation, resolved to increase its capital by issuing 16 million common shares with a par value of \$10 (in dollars) per share amounting to NT\$ 160 million. Considering the overall business benefits, on May 22, 2020, the Group acquired 8,764 thousand shares at NT\$23 (in dollars) per share amounting to \$201,572 thousand. As a result, the Group increased its interest on Enimmune Corporation by 1.37% to 51%.

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) Employee benefits (Pensions)

Defined benefit plans

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income tax

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

(6) Convenience conversion into U.S. dollars

The financial statements are stated in NT dollars. Conversion of March 31, 2021 New Taiwan dollar amounts into U.S. dollar amounts using the noon buying rate of NT\$28.48 (in dollars) to U.S.\$1.00 (in dollars) effective on March 31, 2021, provided by the Federal Reserve Board database is included in the financial statements solely for the convenience of the readers. The convenience conversion is unaudited and should not be construed as a representation that the NT dollar amounts have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

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

There have been no significant changes as of March 31, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2020	December 31, 2020	March 31, 2021
Cash on hand and revolving funds	\$ 1,213	\$ 1,222	\$ 1,206
Checking accounts and demand deposits	1,677,616	3,826,241	3,333,671
Time deposits	<u>230,527</u>	<u>260,000</u>	<u>260,000</u>
	<u>\$ 1,909,356</u>	<u>\$ 4,087,463</u>	<u>\$ 3,594,877</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, and therefore, it expects that the probability of counterparty default is remote.
- B. The Group classified the pledged time deposits as 'financial assets at amortised cost'. Please refer to Note 8 for details.
- C. The Group classified time deposits with original maturities of more than three months that do not meet the definition of cash equivalent as 'financial assets at amortised cost - current'.

(2) Financial assets at amortised cost

Items	March 31, 2020	December 31, 2020	March 31, 2021
Current items:			
Time deposits with maturities of more than three months	\$ 40,000	\$ 337,058	\$ 279,000
Pledged time deposits	7,603	12,500	12,500
	<u>\$ 47,603</u>	<u>\$ 349,558</u>	<u>\$ 291,500</u>
Non-current items:			
Corporate bonds reserve account	\$ 941,857	\$ 1,994	\$ 1,985
Corporate bonds pledge account	199,960	3	-
	<u>\$ 1,141,817</u>	<u>\$ 1,997</u>	<u>\$ 1,985</u>

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

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Notes and accounts receivable

	March 31, 2020	December 31, 2020	March 31, 2021
Notes receivable	\$ -	\$ 12	\$ -
Less: Allowance for expected credit loss	-	-	-
	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ -</u>
Accounts receivable	\$ 29,924	\$ 109,737	\$ 6,706
Less: Allowance for expected credit loss	-	-	-
	<u>\$ 29,924</u>	<u>\$ 109,737</u>	<u>\$ 6,706</u>

A. The ageing analysis of accounts receivable and notes receivable is as follows:

	March 31, 2020		December 31, 2020		March 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 29,294	\$ -	\$ 109,737	\$ 12	\$ 6,659	\$ -
Up to 30 days	-	-	-	-	12	-
31 to 90 days	-	-	-	-	35	-
91 to 180 days	-	-	-	-	-	-
Over 180 days	-	-	-	-	-	-
	<u>\$ 29,294</u>	<u>\$ -</u>	<u>\$ 109,737</u>	<u>\$ 12</u>	<u>\$ 6,706</u>	<u>\$ -</u>

The above ageing analysis is based on past due date.

B. As at March 31, 2021, December 31, 2020, March 31, 2020 and January 1, 2020, the balances of receivables from contracts with customers amounted to \$6,706 thousand, \$109,749 thousand, \$29,924 thousand, and \$505,052 thousand, respectively.

C. The Group does not hold any collateral as security.

D. As at March 31, 2021, December 31, 2020 and March 31, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of

the amount that best represents the Group's notes receivable was \$0 thousand, \$12 thousand and \$0 thousand, respectively; As at March 31, 2021, December 31, 2020 and March 31, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$6,706 thousand, \$109,737 thousand and \$29,924 thousand, respectively.

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

(4) Inventories

March 31, 2020			
	Allowance for valuation loss and obsolescence loss		Book value
	Cost		
Raw materials	\$ 12,643	(\$ 2,521)	\$ 10,122
Work in process	569,825	(254,371)	315,454
Finished goods	16,264	(9,085)	7,179
Merchandise	7,966	(119)	7,847
	<u>\$ 606,698</u>	<u>(\$ 266,096)</u>	<u>\$ 340,602</u>
December 31, 2020			
	Allowance for valuation loss and obsolescence loss		Book value
	Cost		
Raw materials	\$ 62,058	(\$ 2,249)	\$ 59,809
Work in process	394,021	(176,856)	217,165
Finished goods	6,462	(181)	6,281
Merchandise	19,006	(213)	18,793
	<u>\$ 481,547</u>	<u>(\$ 179,499)</u>	<u>\$ 302,048</u>
March 31, 2021			
	Allowance for valuation loss and obsolescence loss		Book value
	Cost		
Raw materials	\$ 97,357	(\$ 3,352)	\$ 94,005
Work in process	480,381	(178,973)	301,408
Finished goods	6,478	(846)	5,632
Merchandise	15,722	(177)	15,545
	<u>\$ 599,938</u>	<u>(\$ 183,348)</u>	<u>\$ 416,590</u>

The cost of inventories recognised as expense for the year:

	For the three-month periods ended March 31,	
	2020	2021
Costs of goods sold	\$ 195,667	\$ 4,947
Loss on decline in market value	2,534	3,849
Loss on inventory retirement	7,195	-
Gain on sale of scraps	(1)	-
Unallocated overhead	86,610	80,236
	<u>\$ 292,005</u>	<u>\$ 89,032</u>

(5) Financial assets at fair value through other comprehensive income – non-current

Items	March 31, 2020	December 31, 2020	March 31, 2021
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 69,050	\$ 69,050	\$ 69,050
Valuation adjustment	42,856	68,032	77,433
	<u>\$ 111,906</u>	<u>\$ 137,082</u>	<u>\$ 146,483</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$146,483 thousand, \$137,082 thousand and \$111,906 thousand as at March 31, 2021, December 31, 2020 and March 31, 2020, respectively.
- B. The Group recognised gain of \$9,401 thousand and loss of \$59,883 thousand in other comprehensive income(loss) for fair value change for the three-month periods ended March 31, 2021 and 2020, respectively.

(6) Property, plant and equipments

Three-month period ended March 31, 2020					
	Beginning balance	Additions	Disposals	Transfers	Ending balance
<u>Cost</u>					
Land	\$ 14,357	\$ -	\$ -	\$ -	\$ 14,357
Buildings and structures	2,139,225	-	-	-	2,139,225
Machinery equipment	1,522,726	-	(1,074)	-	1,521,652
Transportation equipment	2,342	-	-	-	2,342
Other equipment	986,785	-	-	-	986,785
Construction in progress and under acceptance equipment	128,641	12,167	-	-	140,808
	<u>4,794,076</u>	<u>12,167</u>	<u>(1,074)</u>	<u>-</u>	<u>4,805,169</u>
<u>Accumulated depreciation</u>					
Buildings and structures	(758,495)	(17,084)	-	-	(775,579)
Machinery equipment	(942,133)	(21,989)	1,074	-	(963,048)
Transportation equipment	(2,292)	(24)	-	-	(2,316)
Other equipment	(778,176)	(12,542)	-	-	(790,718)
	<u>(2,481,096)</u>	<u>(51,639)</u>	<u>1,074</u>	<u>-</u>	<u>(2,531,661)</u>
	<u>\$ 2,312,980</u>				<u>\$ 2,273,508</u>
Three-month period ended March 31, 2021					
	Beginning balance	Additions	Disposals	Transfers	Ending balance
<u>Cost</u>					
Land	\$ 14,357	\$ -	\$ -	\$ -	\$ 14,357
Buildings and structures	2,141,459	19	(68,503)	12,727	2,085,702
Machinery equipment	1,534,372	375	(9,408)	-	1,525,339
Transportation equipment	2,342	35	-	-	2,377
Other equipment	992,288	-	(217)	-	992,071
Construction in progress and under acceptance equipment	317,153	215,228	-	(12,727)	519,654
	<u>5,001,971</u>	<u>215,657</u>	<u>(78,128)</u>	<u>-</u>	<u>5,139,500</u>
<u>Accumulated depreciation</u>					
Buildings and structures	(823,498)	(15,185)	68,503	-	(770,180)
Machinery equipment	(1,024,955)	(22,374)	9,408	-	(1,037,921)
Transportation equipment	(2,342)	-	-	-	(2,342)
Other equipment	(814,238)	(7,471)	217	-	(821,492)
	<u>(2,665,033)</u>	<u>(45,030)</u>	<u>78,128</u>	<u>-</u>	<u>(2,631,935)</u>
	<u>\$ 2,336,938</u>				<u>\$ 2,507,565</u>

- A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Three-month period ended March 31,	
	2020	2021
Amount capitalised	\$ 473	\$ 2,282
Range of the interest rate for capitalisation	1.59%~1.90%	1.83%

- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(7) Investment property

	March 31, 2020	December 31, 2020	March 31, 2021
<u>Cost</u>			
Land	\$ 23,252	\$ 23,252	\$ 23,252

- A. The Company's parcels of land located at Gui-Shing Section No. 203, 474-10, 237, 212, 248 and 265, and Shin-Shing Section No. 178-6 are under the name of third parties. Since the legal usage of the abovementioned parcels of land is for agricultural use only, the titles of the land cannot be transferred to the Company. The Company holds the original certificates of land rights and the parcels of land are pledged to the Company.
- B. As of March 31, 2021 and 2020, the Company's investment property was not leased out, and no operating expense arose.
- C. The fair value of the investment property as at March 31, 2021 and December 31, 2020, was \$33,942 thousand and \$33,942 thousand, respectively, which was assessed based on valuation performed by management.
- D. The fair value of the investment property as at March 31, 2020 was \$33,008 thousand, which was assessed based on valuation performed by an independent appraiser who holds a professional qualification and has relevant experience.

(8) Intangible assets

Three-month period ended March 31, 2020					
	Beginning balance	Additions	Disposals	Transferred	Ending balance
<u>Cost</u>					
Authorization techniques	\$ 427,828	\$ -	\$ -	\$ -	\$ 427,828
Internal production cost	232,706	-	-	-	232,706
Computer software	26,138	-	-	-	26,138
	<u>686,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>686,672</u>
<u>Accumulated amortisation</u>					
Authorization techniques	(206,318)	(3,228)	-	-	(209,546)
Internal production cost	(189,519)	(1,490)	-	-	(191,009)
Computer software	(19,604)	(433)	-	-	(20,037)
	<u>(415,441)</u>	<u>(5,151)</u>	<u>-</u>	<u>-</u>	<u>(420,592)</u>
<u>Accumulated impairment</u>					
Authorization techniques	(127,874)	-	-	-	(127,874)
	<u>\$ 143,357</u>				<u>\$ 138,206</u>
Three-month period ended March 31, 2021					
	Beginning balance	Additions	Disposals	Transferred	Ending balance
<u>Cost</u>					
Authorization techniques	\$ 427,828	\$ -	\$ -	\$ -	\$ 427,828
Internal production cost	232,706	-	-	-	232,706
Computer software	42,580	430	-	-	43,010
	<u>703,114</u>	<u>430</u>	<u>-</u>	<u>-</u>	<u>703,544</u>
<u>Accumulated amortisation</u>					
Authorization techniques	(219,233)	(3,229)	-	-	(222,462)
Internal production cost	(195,476)	(1,489)	-	-	(196,965)
Computer software	(21,616)	(1,258)	-	-	(22,874)
	<u>(436,325)</u>	<u>(5,976)</u>	<u>-</u>	<u>-</u>	<u>(442,301)</u>
<u>Accumulated impairment</u>					
Authorization techniques	(127,874)	-	-	-	(127,874)
	<u>\$ 138,915</u>				<u>\$ 133,369</u>

Details of amortisation on intangible assets are as follows:

Three-month period ended March 31,			
	2020		2021
Operating costs	\$ 4,753	\$	4,753
General and administrative expenses	398		1,223
	<u>\$ 5,151</u>	<u>\$</u>	<u>5,976</u>

A. In March 2007, the Company entered into a technique transfer agreement with Crucell Switzerland AG (formerly Berna Biotech AG) in relation to flu vaccines and products. In accordance with the agreement, Crucell Switzerland AG transfers the manufacturing technique of flu vaccines to the

Company and charges royalties. In addition, the Company commits to exclusively provide products manufactured with the transferred technique to Crucell Switzerland AG. After the technique is transferred, the royalty charge is capitalised and is amortised over the estimated economic life using the straight-line method. The significant terms and conditions under the agreement are set forth below:

- (a) The Company manufactures the antigens needed for flu vaccine “Inflexal V” with the transferred technique.
- (b) The Company should build a plant which has sufficient capacity and complies with the European standards, such as GMP or Europe Pharmacopoeia, and acquire qualifications issued by domestic and foreign competent authorities to produce.

B. For the year ended December 31, 2017, the Company determined that the recoverable amount of the technique transferred from Crucell Switzerland AG has decreased. Therefore, the Company recognised an impairment loss of \$127,874 thousand dollars. The accumulated impairment loss of abovementioned technique is \$127,874 thousand as at March 31, 2021.

(9) Other non-current assets

	March 31, 2020	December 31, 2020	March 31, 2021
Prepaid equipment	\$ 223,856	\$ 527,900	\$ 668,033
Long-term prepayments	5,379	4,253	3,878
Refundable deposits	2,489	4,641	4,646
Others	5,184	8,615	8,388
	<u>\$ 236,908</u>	<u>\$ 545,409</u>	<u>\$ 684,945</u>

(10) Other current liabilities

	March 31, 2020	December 31, 2020	March 31, 2021
Long-term liabilities due within one year	\$ 78,000	\$ 2,072	\$ 2,076
Deferred revenue	-	98,392	80,699
Others	3,144	3,522	6,263
	<u>\$ 81,144</u>	<u>\$ 103,986</u>	<u>\$ 89,038</u>

(11) Bonds payable

	March 31, 2020	December 31, 2020	March 31, 2021
1 st domestic secured convertible bonds	\$ 215,191	\$ -	\$ -
2 nd domestic secured convertible bonds	288,686	-	-
Less: Discount on bonds payable	(5,424)	-	-
	<u>\$ 498,453</u>	<u>\$ -</u>	<u>\$ -</u>

A. On July 29, 2020, the issuance of the first domestic convertible bonds were transferred to common stocks.

B. (a) On August 13, 2020, certain corporate bonds were redeemed, and the Company repurchased the bonds at 100% of the face value for \$100 thousand.

(b) Except for the redeemed part of the second domestic convertible bonds, the rest of the convertible bonds were transferred to common stocks on August 7, 2020.

(12) Long-term borrowings

Type of borrowings	Borrowing period repayment term	Collateral	March 31, 2020
Long-term bank borrowings Land Bank of Taiwan (lead and management bank)	June 22, 2015 until June 21, 2020; Term loan A is to be repaid in installments starting from June 2018	Land, Buildings, Machinery equipment	\$ 1,144,000
Less: Long-term liabilities due within one year			(78,000)
			<u>\$ 1,066,000</u>
Interest rate range			<u>1.65%~2.23%</u>
Type of borrowings	Borrowing period repayment term	Collateral	December 31, 2020
Long-term bank borrowings Land Bank of Taiwan (lead and management bank)	From October 8, 2020 to October 7, 2030; Term loan A is to be repaid with installments starting from October 2021	Land, Buildings, Machinery equipment	\$ 1,300,000
Chang Hwa Bank	From May 28, 2020 to May 28, 2025; Repaid with installments starting from June 2020	Note	4,858
Taichung Commercial Bank	From June 1, 2020 to June 1, 2025; Repaid with installments starting from July 2020	Note	4,521
			<u>1,309,379</u>
Less: Long-term liabilities due within one year			(2,072)
			<u>\$ 1,307,307</u>
Interest rate range			<u>1.75%~1.88%</u>

Note: The guarantor is Small and Medium Enterprise Credit Guarantee Fund of Taiwan.

Therefore, no collateral was pledged.

Type of borrowings	Borrowing period repayment term	Collateral	March 31, 2021
Long-term bank borrowings	From October 8, 2020 to		
Land Bank of Taiwan	October 7, 2030; Term	Land, Buildings,	
(lead and management bank)	loan A is to be repaid	Machinery equipment	\$ 1,300,000
	with installments starting		
	from October 2021		
Chang Hwa Bank	From May 28, 2020 to	Note	4,583
	May 28, 2025; Repaid		
	with installments starting		
	from June 2020		
Taichung Commercial Bank	From June 1, 2020 to	Note	
	June 1, 2025; Repaid with		
	installments starting from		
	July 2020		4,279
			1,308,862
Less: Long-term liabilities due within one year			(2,076)
			\$ 1,306,786
Interest rate range			1.75%~1.88%

Note: The guarantor is Small and Medium Enterprise Credit Guarantee Fund of Taiwan.

Therefore, no collateral was pledged.

The syndicated facility agreement was fully repaid on October 8, 2020.

(13) Pensions

A.(a)The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b)The Group recognized pension cost of \$3 thousand and \$7 thousand based on the aforementioned pension plan for the three-month periods ended March 31, 2021 and 2020,

respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$348 thousand.

B. (a) Effective July 1, 2005, the Company and its subsidiary established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Group for the three-month periods ended March 31, 2021 and 2020 were \$4,018 thousand and \$3,415 thousand, respectively.

(14) Share-based payment

A. For the three-month periods ended March 31, 2021 and 2020, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Vested period	Vesting conditions
2017~2020 years issuance of employees bonus shares	2017.12.19	920 units	3 years	Service vested
Enimmune Corporation’s cash capital increase reserved for employee preemption	2020.03.17	1,600 units	-	Vested
2020~2023 years issuance of employees bonus shares	2020.12.18	920 units	3 years	Service vested

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

Enimmune Corporation’s cash capital increase reserved for employee preemption

	2020		2021	
	Number of options	Weighted-average exercise price (in dollars)	Number of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -	-	\$ -
Options granted	1,600	23.00	-	-
Options exercised	-	-	-	-
Options forfeited	-	-	-	-
Options outstanding at March 31	1,600	-	-	-
Options exercisable at March 31	1,600	-	-	-

- C. For the years 2017~2020 issuance of employees bonus shares, the fair value of stock price of the Company was \$19.55(in dollars). As of March 31, 2021, the Company has all granted to the employees.
- D. For the years 2020~2023 issuance of employees bonus shares, the fair value of stock price of the Company was \$56.60(in dollars). As of March 31, 2021, the Company has ungranted 920 units.
- E. The Group's subsidiary, Enimmune Corporation, increased its capital for employee preemption. The inputs determined by the Black-Scholes option-pricing model were expected price volatility of 37.61%, expected option life of 0.5-year, risk-free interest rate of 0.4410%, fair value per unit of \$0.311 and the employee exercise price of \$23(in dollars).
- F. Expenses incurred on share-based payment transactions are shown below:

	Three-month period ended March 31,	
	2020	2021
Equity-settled	\$ 996	\$ 7,827

(15) Share capital

- A. As of March 31, 2021, the Company's authorised capital was \$7,000,000 thousand, consisting of 700,000 thousand shares of ordinary stock (including 15,000 thousand shares reserved for employee stock options), and the paid-in capital was \$4,295,078 thousand with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2020	2021
	(thousand shares)	(thousand shares)
At January 1	\$ 363,158	\$ 429,508
Conversion of convertible bonds	43,903	-
At March 31	\$ 407,061	\$ 429,508

- B. On August 12, 2016, the Board of Directors of the Company resolved the issuance of the first and second secured convertible bonds. For the three-month period ended March 31, 2020, 43,903 thousand shares were converted. Information relating to the convertible bonds is provided in Note 6(11).

(16) 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 Law 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.

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and recover prior year's losses and then 10% of the remaining amount shall be appropriate as legal reserve. Stock dividends should be appropriated at a rate of 10% per annum. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. On March 26, 2021, the Board of Directors proposed to appropriate cash dividends amounting to \$214,754 thousand (\$0.5 (in dollars) per share). The appropriation of dividends has not been resolved by the shareholders.
- D. Information relating to employees' compensation and directors' remuneration is provided in Note 6(22).

(18) Operating revenue:

Information on products and services

- A. The Group engages in the manufacture and trade of vaccines and modern medicine products. Details of revenue is as follows:

	Three-month period ended March 31,	
	2020	2021
Sales of finished goods	\$ 367,014	\$ 6,930

B. Contract liabilities

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

	January 1, 2020	March 31, 2020	December 31, 2020	March 31, 2021
Contract liabilities:				
Return and exchange rights	\$ 4,042	\$ 4,042	\$ -	\$ -
Advance sales receipts	9,394	122,747	167,905	183,807
	<u>\$ 13,436</u>	<u>\$ 126,789</u>	<u>\$ 167,905</u>	<u>\$ 183,807</u>

- (b) Revenue recognised that was included in the contract liability balance at the beginning of the three-month periods ended March 31, 2021 and 2020 were both \$0 thousand.

(19) Interest income

	Three-month period ended March 31,	
	2020	2021
Interest income from bank deposits	\$ 392	\$ 856
Other interest income	-	3
	<u>\$ 392</u>	<u>\$ 859</u>

(20) Other income

	Three-month period ended March 31,	
	2020	2021
Grant revenue	\$ 1,518	\$ 17,864
Other non-operating income	103	3,530
	<u>\$ 1,621</u>	<u>\$ 21,394</u>

For the three-month periods ended March 31, 2021 and 2020, the grant revenue includes government grants revenue amounting to \$17,817 thousand and \$1,481 thousand, respectively. Details of the contract are provided in Note 9(2).

(21) Other gains and losses

	Three-month period ended March 31,	
	2020	2021
Gains on disposal of property, plant and equipment	\$ 1	\$ 10
Foreign exchange gains and losses	1,522	(474)
Net gains on financial assets at fair value through profit or loss	1,141	-
Other gains and losses	(97)	(117)
	<u>\$ 2,567</u>	<u>(\$ 581)</u>

(22) Employee benefit expense, depreciation and amortisation

Nature	Three-month period ended March 31,2020		
	Operating cost	Operating expense	Total
Employee benefit expense			
Wages and salaries	\$ 42,901	\$ 30,087	\$ 72,988
Share-based payments	-	996	996
Labor and health insurance fees	4,290	2,236	6,526
Pension costs	2,067	1,355	3,422
Directors' remuneration	-	625	625
Other personnel expenses	703	1,613	2,316
	<u>\$ 49,961</u>	<u>\$ 36,912</u>	<u>\$ 86,873</u>
Depreciation	<u>\$ 47,282</u>	<u>\$ 5,346</u>	<u>\$ 52,628</u>
Amortisation	<u>\$ 4,753</u>	<u>\$ 756</u>	<u>\$ 5,509</u>

Nature	Three-month period ended March 31,2021		
	Operating cost	Operating expense	Total
Employee benefit expense			
Wages and salaries	\$ 52,362	\$ 68,635	\$ 120,997
Share-based payments	-	7,827	7,827
Labor and health insurance fees	5,870	3,379	9,249
Pension costs	2,408	1,613	4,021
Directors' remuneration	-	1,280	1,280
Other personnel expenses	1,026	1,770	2,796
	<u>\$ 61,666</u>	<u>\$ 84,504</u>	<u>\$ 146,170</u>
Depreciation	<u>\$ 40,997</u>	<u>\$ 6,252</u>	<u>\$ 47,249</u>
Amortisation	<u>\$ 4,753</u>	<u>\$ 1,449</u>	<u>\$ 6,202</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 be 5%~10% for employees' compensation and shall not be higher than 5% for directors' remuneration.
- B. For the three-month periods ended March 31, 2021 and 2020, the Company generated net operating loss and thus did not accrue employees' compensation and directors' remuneration. Information regarding employees' compensation and directors' remuneration as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- C. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had 515, 503 and 427 employees, respectively.

(23) Finance costs

	Three-month period ended March 31,	
	2020	2021
Interest expense:		
Bank borrowings	\$ 5,873	\$ 6,182
Convertible bonds	2,928	-
Interest expense on lease liabilities	35	81
Less: Capitalisation of qualifying assets	(473)	(2,282)
Finance costs	<u>\$ 8,363</u>	<u>\$ 3,981</u>

(24) Income tax

A. Reconciliation between income tax benefit and accounting profit

	Three-month period ended March 31,	
	2020	2021
Tax calculated based on loss before tax and statutory tax rate	(\$ 6,234)	(\$ 54,272)
Expenses disallowed by tax regulation	1,464	2,332
Tax exempted income by tax regulation	-	(3,539)
Temporary difference not recognised as deferred tax assets	146	897
Loss carryforward not recognised as deferred tax assets	<u>4,624</u>	<u>54,582</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

- B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.
- C. The income tax returns of the Company's subsidiary, Enimmune Corporation, through 2018 have been assessed and approved by the Tax Authority.
- D. The income tax returns of the Company's subsidiary, Eggs Corporation, through 2019 have been assessed and approved by the Tax Authority.
- E. The income tax returns of the Company's indirect subsidiary, Animmune Corporation, through 2019 have been assessed and approved by the Tax Authority.

(25) Losses per share

Three-month period ended March 31, 2020			
		Weighted average number of ordinary shares outstanding	Losses per share
	Amount after tax	(share in thousands)	(in dollars)
Basic (diluted) losses per share			
Losses attributable to the parent	(\$ 16,851)	\$ 371,568	(\$ 0.05)
Three-month period ended March 31, 2021			
		Weighted average number of ordinary shares outstanding	Losses per share
	Amount after tax	(share in thousands)	(in dollars)
Basic (diluted) losses per share			
Losses attributable to the parent	(\$ 249,798)	\$ 429,508	(\$ 0.58)

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

Three-month period ended March 31,			
	2020	2021	
Purchase of property, plant and equipment	\$ 12,167	\$ 215,657	
Less: Ending balance of notes payable	\$ -	(24,916)	
Add: Opening balance of payable on equipment	8,100	24,363	
Less: Ending balance of payable on equipment	(19,614)	(105,463)	
Cash paid during the period	\$ 653	\$ 109,641	

B. Financing activities with no cash flow effects

Three-month period ended March 31, 2020	
Convertible bonds converted to capital stocks	\$ 439,035

Three-month period ended March 31, 2021: None.

(27) Changes in liabilities from financing activities

	Long-term borrowings (Note)	Convertible bonds (Note)	Lease liabilities (Note)	Guarantee deposits received (Note)	Liabilities from financing activities - gross
At January 1, 2020	\$ 1,144,000	\$ 1,465,018	\$ 2,460	\$ -	\$ 2,611,478
Changes in cash flow from financing activities	-	-	(1,277)	36,086	34,809
Changes in other non-cash items	-	(966,565)	6,061	-	(960,504)
At March 31, 2020	\$ 1,144,000	\$ 498,453	\$ 7,244	\$ 36,086	\$ 1,685,783

Note: including current portion.

	Long-term borrowings (Note)	Lease liabilities (Note)	Liabilities from financing activities - gross
At January 1, 2021	\$ 1,309,379	\$ 14,361	\$ 1,323,740
Changes in cash flow from financing activities	(517)	(2,226)	(2,743)
Changes in other non-cash items	-	6,324	6,324
At March 31, 2021	<u>\$ 1,308,862</u>	<u>\$ 18,459</u>	<u>\$ 1,327,321</u>

Note: including current portion.

(28) Seasonality of operations

Due to the fact that the peak of influenza epidemic in Taiwan is usually from late November, the delivery of flu vaccines is usually concentrated in the second half of the year. Thus, higher revenues and operating profits are usually expected in the last six months.

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Three-month period ended March 31	
	2020	2021
Salaries and other short-term employee benefits	\$ 13,214	\$ 47,525
Post-employment benefits	529	609
Share-based payments	498	7,827
	<u>\$ 14,241</u>	<u>\$ 55,961</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2020	December 31, 2020	March 31, 2021	
Property, plant and equipment	\$ 1,931,164	\$ 1,651,031	\$ 1,615,969	Long-term borrowings
Special reserve account and pledged account (included in financial assets at amortised cost - non-current)	1,141,817	1,997	1,985	Pledged for convertible bonds
Time deposit (included in financial assets at amortised cost - current)	7,603	12,500	12,500	Performance margin for bidding
Refundable deposits (included in other current assets)	-	-	1,356	Performance margin for bidding
	<u>\$ 3,080,584</u>	<u>\$ 1,665,528</u>	<u>\$ 1,631,810</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

The Company has signed a supply contract which ended in 2013 with GEEP Taiwan ("GEEP") in

2007. However, GEEP Taiwan has filed a civil lawsuit against the Company after the contract ended in 2013 for payment of the construction expense for factory expansion, damages arising from insufficient amount of eggs claimed by the GEEP and defective rate of embrocated egg exceeding standards, and the total compensation claimed amounted to \$12,627 thousand and EUR 500 thousand. The Company believed transactions with GEEP Taiwan proceeded fairly and reasonably under the mutually agreed contract and regulation, and transaction terms were the same as with other suppliers. As the appointed lawyers have assessed the lawsuit to be unreasonable, and the possibility of the Company incurring a loss as a result of the lawsuit is low, the Company has not accrued any loss. For the lawsuit related to the construction expense for factory expansion, the High Court denied the GEEP's claim on September 30, 2015. And the lawsuit related to the damages arising from insufficient amount of eggs claimed by the plaintiff was dismissed by the High Court on July 12, 2017. On August 8, 2017, the plaintiff filed an appeal to the Supreme Court, and the appeal was denied by the Supreme Court on January 16, 2020. The claim against the Group for payment of the defective rate of embrocated egg exceeding standards was denied by the High Court on April 11, 2017. On May 5, 2017, the plaintiff filed an appeal to the Supreme Court. However, the Supreme Court remanded the case to the Taiwan High Court Taichung Branch Court on October 16, 2019. On November 18, 2020, Taiwan High Court Taichung Branch Court rendered a judgment that the Company is liable for compensation of \$4.39 million along with interests. The Company has appointed lawyers to file an appeal with indictment to the Supreme Court.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	March 31, 2020	December 31, 2020	March 31, 2021
Property, plant and equipment	\$ 468,395	\$ 961,683	\$ 794,815

B. The Company has signed technical contracts relating to continuing development of vaccine of Enterovirus 71 ("EV 71") with the Center for Disease Control, R.O.C. ("CDC") and the National Health Research Institute ("NHRI") in 2011. Details of each stage in the contracts are as follows:

- (a) The Company has signed technical contracts relating to licensing technology of EV71 with CDC and NHRI in September 2011. The main commitments of the technology license are as follows:
 - i. Licensing period: Starting from the date when the three parties sign the contracts.
 - ii. Authorisation expense: The contracts are signed to pay in accordance with progress.
- (b) In May 2020, the Company renewed "Commission Service Contract" signed in May 2018 with NHRI to provide the Company with development platform for vaccine. The main terms of the contract are as follows:
 - i. Commission period: 2 years (2018.5.1~2020.4.30), 2 years renewal (2020.5.1~2022.4.30)
 - ii. Commission expense: Service expense is paid each month.
- (c) The Company has signed "EV 71 vaccine Phase I clinical trial result authorisation" corporation contract with CDC and NHRI in April 2013. NHRI has authorised the technology

through non-exclusive license. Details of key commitments are as follows:

- i. Contract period: Starting from the date when three parties sign the contract until 25 years after the Company's first EV71 vaccine is authorised.
- ii. Authorisation fee: The Company pays authorization fee in accordance with contracted progress within 2 years after the contract is signed.

(d) The Company has signed the "Commission Service Contract" with NHRI to provide the Company with cell culture platform for vaccine. The main terms of the contract are as follows:
Commission service fee: The contracts are signed to pay in accordance with progress.

C. The Company has signed a processing agreement with Shenzhen Techdow Pharmaceutical Co., LTD ("TECHDOW") on January 18, 2013.

The two companies' cooperative injection technique, which is the Company's packing techniques (aseptic prefilled injection packing techniques) along with TECHDOW's pharmaceutical material (Enoxaparin sodium), has received EMA's authorisation and is processed for mass production. Key commitments of the agreement are as follows:

The Company signed another processing agreement with TECHDOW on September 10, 2019 to cover and replace the initial agreement and extended the cooperation period.

- (a) Contract period: 5 years after the completion of construction of the second aseptic injection packing line and production starting for TECHDOW's products from the date of the first order by TECHDOW. Unless one party notifies the other a non-renewal no less than 6 months before the agreement expires, the agreement is automatically renewed every two years.
- (b) Processing price: By the process quantity in accordance with the agreement.
- (c) Other commitments: During the agreement period, the Company may not directly or indirectly produce same products for supply in any market.

D. On September 29, 2017, the Company signed an agreement with the Institute for Information Industry to implement the Research Program for Developing H7N9 Subunit Flu Vaccines Using Recombinant DNA Proteins. This program was terminated on December 24, 2020 with a total grant of \$21,032 thousand.

E. The Company's application of COVID-19 subunit vaccines development program in August 2020 was compliant with the grant criteria of '2020-2021 Subsidies (Donations) for COVID-19 Vaccine Program Handled and Developed by Civil Associations' of CDC after the review. The Company received approved grant amounting to \$458.02 million and signed the agreement on October 28, 2020. The grant will be approved and appropriated by CDC upon the completion of each milestone of Phase 1 and 2 clinical trials, item by item. Recognised grant income for the three-month period ended March 31, 2021 was \$77,321 thousand.

F. On March 25, 2019, the Group's subsidiary, Enimmune Corporation ("Enimmune"), signed an agreement with the Institute for Information Industry to implement the Phase 3 Clinical Testing Program of EV71 Vaccines Manufactured from Bioreactors on Healthy Children. The program will end on May 31, 2021 with a total grant of \$24,107 thousand. Recognised grant income as of

March 31, 2021 was \$124 thousand. The grant receivables recognized for the three-month period ended March 31, 2021, the year ended December 31, 2020 and for the three-month period ended March 31, 2020 were \$124 thousand, \$5,729 thousand and \$14,982 thousand , respectively. The grant of 2019 was received in October 2020 and the grant of 2020 is still awaiting the confirmation from the Institute For Information Industry. The main rights and obligations of the agreement are listed as follows:

- (a) All results from the Company's implementation of the research program, including knowledge, technologies, and intellectual property belong to the Company. The Company has the responsibility to manage and apply these results.
- (b) If the source of the Institute for Information Industry's grant is the Executive Yuan's National Science and Technology Development Fund, the Company's ownership, management, and application of the research results shall be governed by the terms of Executive Yuan's National Science and Technology Development Fund Grant Contract.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Group's capital management is based on the industry where the Group is in, industry's future growth and product development to set an appropriate market share, set a corresponding capital expenditure. The management also based on operating funds calculated based on financial operation plans and consideration of operating profit and cash flow generated by product competitiveness to determine an appropriate capital structure.

(2) Financial instruments

	<u>March 31, 2020</u>	<u>December 31, 2020</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss - current	\$ 753	\$ -	\$ -
Financial assets at fair value through other comprehensive income - non-current	111,906	137,082	146,483
Financial assets at amortised cost			
Cash and cash equivalents	1,909,356	4,087,463	3,594,877
Financial assets at amortised cost - current	47,603	349,558	291,500
Notes receivable	-	12	-
Accounts receivable	29,924	109,737	6,706
Financial assets at amortised cost - non-current	1,141,817	1,997	1,985
Other receivables (included in other current assets)	24,880	5,729	5,852
Refundable deposits (included in other current assets and other non-current assets)	3,439	7,540	7,133
	<u>\$ 3,269,678</u>	<u>\$ 4,699,118</u>	<u>\$ 4,054,536</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Notes payable	\$ -	\$ -	\$ 24,916
Accounts payable	47,510	23,455	63,210
Other payables	115,329	222,828	267,910
Bonds payable	498,453	-	-
Long-term borrowings (including current portion)	1,144,000	1,309,379	1,308,862
Lease liabilities (including current portion)	7,244	14,361	18,459
Guarantee deposits received (including in other current liabilities)	36,086	-	-
	<u>\$ 1,848,622</u>	<u>\$ 1,570,023</u>	<u>\$ 1,683,357</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- A. The Group manages their foreign exchange risk against their functional currency. The Group is required to hedge their entire foreign exchange risk exposure with the Group treasury.
- B. Foreign exchange risk between RMB and USD with NTD is mainly from exchange loss or profit arising from conversion of cash and cash equivalents and accounts receivable denominated in RMB and USD.
- C. The Group's businesses involve foreign exchange variation, the information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations and analysis of foreign currency market risk arising from significant foreign exchange variation are as follows:

March 31, 2020						
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 9,606	30.18	\$ 289,853	1%	\$ 2,899	\$ -
JPY : NTD	6,174	4.23	26,116	1%	261	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
EUR : NTD	\$ 6	30.28	\$ 193	1%	\$ 2	\$ -
December 31, 2020						
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 8,043	28.43	\$ 228,665	1%	\$ 2,287	\$ -
JPY : NTD	36,931	0.27	10,130	1%	101	-
March 31, 2021						
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 980	28.49	\$ 27,902	1%	\$ 279	\$ -
JPY : NTD	35,436	0.26	9,061	1%	91	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
EUR : NTD	\$ 347	33.68	\$ 11,685	1%	\$ 117	\$ -

Total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2021 and 2020 amounted to exchange loss of \$474 thousand and gain of \$1,522 thousand, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the three-month periods ended March 31, 2021 and 2020 would have increased/decreased by \$1,465 thousand and \$1,119 thousand, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
- ii. At March 31, 2021 and 2020, if the interest rate had been 25 basis point higher/lower, post-tax profit would have decreased/increased by \$655 thousand and \$572 thousand, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group's cash and cash equivalents are deposited in financial institutions with optimal credit quality. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'twBBB' are accepted. In order to prevent excessive concentration and to disperse credit risk, the Group manages the deposit ratio in each financial institution, and the credit quality of banks and financial institutions the Group trades with is optimal. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The Group screens potential transaction counterparties based on their credit history, and only enters into transactions with counterparties that reach a certain level of credit quality; hence, there is no significant credit risk.
- iii. The Group adopts the assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition, the default occurs when the contract payments are past due over 90 days.

- iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had no written-off financial assets that are still under recourse procedures.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group's expected loss rate for accounts receivable that are not past due or are past due within 30 days were both immaterial.
- vii. As of March 31, 2021, December 31, 2020 and March 31, 2020, there was no change and balance in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable.

(c) Liquidity risk

- i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities, see Note 6(12), at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.
- ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group has undrawn borrowing facilities amounting to \$2,900,000 thousand, \$2,900,000 thousand and \$1,270,123 thousand, respectively.
- iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>March 31, 2020</u>	Less than 3 months	Between 3 months and 1 year	Between 1 and 3 years	Over 3 years	Total
Accounts payable	\$ 47,510	\$ -	\$ -	\$ -	\$ 47,510
Other payables	115,329	-	-	-	115,329
Corporate bonds payable	-	-	503,877	-	503,877
Long-term borrowings (Note)	43,716	52,666	269,157	924,608	1,290,147
Lease liabilities (Note)	906	2,219	3,011	1,108	7,244
Guarantee deposits received	36,086	-	-	-	36,086
Note: including current portion					

<u>December 31, 2020</u>	Less than 3 months	Between 3 months and 1 year	Between 1 and 3 years	Over 3 years	Total
Accounts payable	\$ 23,455	\$ -	\$ -	\$ -	\$ 23,455
Other payables	222,828	-	-	-	222,828
Long-term borrowings (Note)	6,399	19,190	248,210	1,240,067	1,513,866
Lease liabilities (Note)	1,689	5,848	6,145	970	14,652
Note: including current portion					

<u>March 31, 2021</u>	Less than 3 months	Between 3 months and 1 year	Between 1 and 3 years	Over 3 years	Total
Notes payable	\$ 63,210	\$ -	\$ -	\$ -	\$ 63,210
Accounts payable	24,916	-	-	-	24,916
Other payables	267,910	-	-	-	267,910
Long-term borrowings (Note)	6,397	19,190	248,214	1,209,714	1,483,515
Lease liabilities (Note)	2,523	6,972	8,545	950	18,990
Note: including current portion					

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents,

financial assets at amortised cost, notes receivable, accounts receivable, other receivables, refundable deposits, accounts payable, other payables, other current liabilities and long-term borrowings are approximate to their fair values.

	March 31, 2020	
	Book value	Fair value Level 3
Financial liabilities:		
Corporate bonds payable	\$ 498,453	\$ 499,007

Three-month periods ended March 31, 2021 and December 31, 2020: None.

(b) The Group uses the methods and assumption of fair value estimate as follows:

Convertible bonds payable: It refers to convertible bonds issued by the Group. The coupon rate approximately equals market interest rate so that the fair value is measured with discounted cash flow projections, which approximately equals the carrying amount.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of nature of the assets and liabilities is as follows:

March 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-Redemption of convertible bonds	\$ -	\$ -	\$ 753	\$ 753
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	111,906	111,906
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,659</u>	<u>\$ 112,659</u>
December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
- Equity securities	\$ -	\$ -	\$ 137,082	\$ 137,082
March 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
- Equity securities	\$ -	\$ -	\$ 146,483	\$ 146,483

(b) The methods and assumptions the Group used to measure fair value are as follows:

The fair value of financial instruments without active market is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques refers to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods.

D. The following chart is the movement of Level 3 for the three-month periods ended March 31, 2021 and 2020:

	Non-derivative equity securities	
	2020	2021
At January 1	\$ 171,789	\$ 137,082
Gains(losses) recognised in other comprehensive income(loss)	(59,883)	9,401
At March 31	<u>\$ 111,906</u>	<u>\$ 146,483</u>
	Embedded derivative instruments	
	2020	2021
At January 1	\$ 717	\$ -
Gains(losses) recognised in loss or profit	1,141	-
Transition for the year	(1,105)	-
At March 31	<u>\$ 753</u>	<u>\$ -</u>

E. For the three-month periods ended March 31, 2021 and 2020, there was no transfer into or out from Level 3.

F. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at March 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 111,906	Market comparable companies	Liquidity premium	70%-80%	The higher the multiple, the higher the fair value.
Hybrid instruments: Corporate bonds redemption rights	\$ 753	Binomial Model	Volatility	38.97%	The higher the volatility, the higher the fair value.
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 137,082	Market comparable companies	Liquidity premium	70%-80%	The higher the multiple, the higher the fair value.
Hybrid instruments: Corporate bonds redemption rights	\$ -	Binomial Model	Volatility	0.00%	The higher the volatility, the higher the fair value.
	Fair value at March 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 146,483	Market comparable companies	Liquidity premium	70%-80%	The higher the multiple, the higher the fair value.

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			March 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Liquidity premium	±10%	\$ -	\$ -	\$ 14,117	(\$ 14,117)
Hybrid instrument	Volatility	±5%	\$ 512	(\$ 527)	\$ -	\$ -
			December 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Liquidity premium	±10%	\$ -	\$ -	\$ 17,194	(\$ 17,194)
			March 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Liquidity premium	±10%	\$ -	\$ -	\$ 26,083	(\$ 26,083)

13. SUPPLEMENTARY DISCLOSURES

(3) 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): Please refer to table 1.
- 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 NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

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

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 3.

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

(4) Major shareholders information

Major shareholders information: Please refer to table 4.

14. SEGMENT INFORMATION

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

Adimmune Corporation and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
March 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Adimmune Corporation	Taiwan Biotech Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,991,057	\$ 138,659	2.38	\$ 138,659	-
Adimmune Corporation	Hematech Biotherapeutics Inc.	Same chairman	Financial assets at fair value through other comprehensive income - non-current	792,114	<u>7,824</u>	5.00	<u>7,824</u>	-
				Total	<u>\$ 146,483</u>	Total	<u>\$ 146,483</u>	

Table 1

Adimmune Corporation and subsidiaries
Information on investees
For the three-month period ended March 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 March 31, 2021			Net profit (loss) of the investee for the three-month period ended March 31, 2021	Investment income(loss) recognised by the Company for the three-month period ended March 31, 2021	Footnote
				Balance as at March 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Adimmune Corporation	Enimmune Corporation	Taiwan	Bio-technology	\$ 485,820	\$ 485,820	30,600,000	51.00	\$ 175,819	(\$ 20,342)	(\$ 10,375)	Note 1
Adimmune Corporation	Global commonwealth life science (holdings) limited	Hong Kong	Investment	-	-	2	100.00	-	-	-	Notes 1 & 3
Adimmune Corporation	Adimmune B.V.	Netherland	Investment	-	-	-	100.00	-	-	-	Note 1
Adimmune Corporation	Eggs Corporation	Taiwan	Animal Husbandry	30,000	30,000	3,000,000	100.00	12,578	(416)	(416)	Note 1
Eggs Corporation	Animmune Corporation	Taiwan	Bio-technology	21,000	21,000	2,100,000	51.22	10,125	(811)	(415)	Note 2

Note 1: The Company's subsidiary.

Note 2: It's the Company's second-tier subsidiary

Note 3: Initial investment was NT\$ 8.

Adimmune Corporation and subsidiaries
Information on investments in Mainland China
For the three-month period ended March 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021	Net income of investee as of March 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2021	Book value of investments in Mainland China as of March 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Adimmune Co., Ltd. Nanjing, China	Business sales & acquisition	\$ -	1	\$ -	\$ -	\$ -	\$ -	\$ -	100.00	\$ -	\$ -	\$ -	Note 2 & 3

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China..
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: The company was approved for business registration by the competent authority on August 10, 2016. As of March 31, 2021, the company still has not yet initiated its operation, thus, no related investment profit or loss.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Adimmune Co., Ltd. Nanjing, China	\$ -	\$ 10,000	\$ 3,827,814

Note: The numbers in this table are expressed in New Taiwan Dollars.

Table 3

Adimmune Corporation and subsidiaries
Major shareholders information
For the three-month period ended March 31, 2021

Table 4

Name of major shareholders	Shares		Footnote
	Number of shares held	Ownership (%)	
National Development Fund, Executive Yuan	48,584,162	11.31%	Notes1 & 2
Bioengine Technology Development Inc.	37,100,000	8.63%	

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted, at the same time, persons who have power to decide how to allocate the trust assets.

For the information of reported share equity of insider, please refer to Market Observation Post System.