Stock Code:1795

# Lotus Pharmaceutical Co., Ltd. and Subsidiaries

## Consolidated Financial Statements

## With Independent Auditors' Review Report
## For the Six Months Ended June 30, 2021 and 2020

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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# Independent Auditors' Review Report

To the Board of Directors
of Lotus Pharmaceutical Co., Ltd.:

## Introduction

We have reviewed the accompanying consolidated balance sheet of Lotus Pharmaceutical Co., Ltd. ("the Company") and its subsidiaries ("the Group") as of June 30, 2021, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2021, as well as the changes in equity and cash flows for the six months ended June 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

## Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our review in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Basis for Qualified Conclusion

As stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to $209,724, constituting 1% of the consolidated total asset; and the total liabilities amounting to $620,166, constituting 6% of the consolidated total liabilities; as well as the total comprehensive income amounting to $(23,135) and $(7,580), constituting (10)% and (1)% of the total consolidated comprehensive income for the three months and six months ended June 30, 2021, respectively.

## Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our review, 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 of June 30, 2021, and of its consolidated financial performance for the three months and six months ended June 30, 2021, as well as its consolidated cash flows for the six months ended June 30, 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Other Matter

We did not review the consolidated financial statements of the Group for the three months and six months ended June 30, 2020. These consolidated financial statements were reviewed by other auditors and issued with qualified conclusion due to the financial statements of certain non-significant subsidiaries and investee companies accounted for using equity method as well as the information for investees as described in Notes 6(5) and 13 to the consolidated financial statements which were not reviewed by independent auditors on August 13, 2020.

The engagement partners on the review resulting in this independent auditors’ review report are Wan-Yaun Yu and An-Chih Cheng.

KPMG

Taipei, Taiwan (Republic of China)
August 12, 2021

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statements of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**June 30, 2021 and 2020 reviewed only, not audited in accordance with generally accepted auditing standards**

# Lotus Pharmaceutical Co., Ltd. and Subsidiaries

## Consolidated Balance Sheets

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

**(Expressed in Thousands of New Taiwan Dollars)**

| | | June 30, 2021 | | December 31, 2020 | | June 30, 2020 | |
|---|---|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | | | |
| 1100 | Cash and cash equivalents (note 6(1)) | $ 1,622,072 | 7 | 1,489,004 | 7 | 1,093,671 | 6 |
| 1140 | Contract assets－current (notes 6(19) and 7) | 59,941 | - | 121,039 | 1 | - | - |
| 1170 | Notes and accounts receivable, net (note 6(3)) | 1,222,551 | 6 | 1,109,140 | 6 | 1,176,722 | 7 |
| 1180 | Accounts receivable－related parties (note 7) | 2,716,229 | 13 | 1,517,255 | 8 | 1,435,461 | 8 |
| 1200 | Other receivables | 31,932 | - | 2,739 | - | 7,019 | - |
| 1210 | Other receivables－related parties (note 7) | 30,632 | - | 48,034 | - | 43,553 | - |
| 1220 | Current tax assets | 2,239 | - | 2,416 | - | 1,217 | - |
| 1310 | Inventories (note 6(4)) | 2,721,026 | 13 | 2,208,490 | 11 | 1,475,254 | 8 |
| 1479 | Other current assets (note 8) | 267,569 | 1 | 284,614 | 1 | 302,131 | 2 |
| | **Total current assets** | 8,674,191 | 40 | 6,782,731 | 34 | 5,535,028 | 31 |
| | **Non-current assets:** | | | | | | |
| 1517 | Financial asset at fair value through other comprehensive income－non-current (note 6(2)) | 355,331 | 2 | 412,846 | 2 | 388,733 | 2 |
| 1550 | Investment accounted for using equity method (note 6(5)) | - | - | - | - | 13,431 | - |
| 1600 | Property, plant and equipment (notes 6(6) and 8) | 2,432,869 | 11 | 2,193,068 | 11 | 1,949,027 | 11 |
| 1755 | Right-of-use assets (note 6(7)) | 137,354 | 1 | 112,377 | 1 | 138,272 | 1 |
| 1805 | Goodwill (note 6(8)) | 5,750,424 | 27 | 5,895,681 | 30 | 5,733,886 | 32 |
| 1821 | Intangible assets (notes 6(9) and 8) | 3,651,099 | 17 | 3,830,990 | 19 | 3,715,031 | 20 |
| 1840 | Deferred tax assets | 337,445 | 1 | 364,608 | 2 | 417,030 | 2 |
| 1900 | Other non-current assets (notes 8 and 9) | 180,997 | 1 | 161,117 | 1 | 210,692 | 1 |
| | **Total non-current assets** | 12,845,519 | 60 | 12,970,687 | 66 | 12,566,102 | 69 |
| | **Total assets** | $ 21,519,710 | 100 | 19,753,418 | 100 | 18,101,130 | 100 |

| | | June 30, 2021 | | December 31, 2020 | | June 30, 2020 | |
|---|---|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | | | |
| 2100 | Short-term borrowings (note 6(10)) | $ 210,000 | 1 | 410,000 | 2 | 410,000 | 2 |
| 2130 | Contract liabilities－current (notes 6(19) and 7) | 164,852 | 1 | 132,098 | 1 | 189,613 | 1 |
| 2170 | Notes and accounts payable | 763,563 | 4 | 615,615 | 3 | 538,942 | 3 |
| 2180 | Accounts payable－related parties (note 7) | 427,112 | 2 | 1,116,109 | 6 | 888,195 | 5 |
| 2200 | Other payables (note 6(16)) | 800,151 | 4 | 910,621 | 5 | 439,772 | 3 |
| 2220 | Other payables－related parties (notes 6(16) and 7) | 233,458 | 1 | 19,754 | - | 24,410 | - |
| 2230 | Current tax liabilities | 320,723 | 1 | 226,619 | 1 | 144,657 | 1 |
| 2250 | Provisions－current (note 6(13)) | 37,886 | - | 37,908 | - | 67,871 | - |
| 2280 | Lease liabilities－current (note 6(12)) | 67,409 | - | 40,430 | - | 53,969 | - |
| 2320 | Current portion of long-term borrowings (notes 6(11) and 8) | 591,843 | 3 | 1,359,086 | 7 | 991,923 | 6 |
| 2399 | Other current liabilities | 29,028 | - | 14,841 | - | 29,460 | - |
| | **Total current liabilities** | 3,646,025 | 17 | 4,883,081 | 25 | 3,778,812 | 21 |
| | **Non-current liabilities:** | | | | | | |
| 2527 | Contract liabilities－non-current (note 6(19)) | 99,315 | - | 111,784 | 1 | 110,917 | 1 |
| 2540 | Long-term borrowings (notes 6(11) and 8) | 6,104,005 | 28 | 4,947,560 | 25 | 5,133,789 | 28 |
| 2550 | Provisions－non-current (note 6(13)) | 29,021 | - | 27,872 | - | 35,071 | - |
| 2570 | Deferred tax liabilities | 119,346 | 1 | 144,688 | 1 | 154,991 | 1 |
| 2580 | Lease liabilities－non-current (note 6(12)) | 79,957 | - | 76,577 | - | 92,351 | - |
| 2640 | Defined benefit liabilities, net | 554,960 | 3 | 570,071 | 3 | 612,092 | 3 |
| 2670 | Other non-current liabilities | 209,550 | 1 | 246,371 | 1 | 284,363 | 2 |
| | **Total non-current liabilities** | 7,196,154 | 33 | 6,124,923 | 31 | 6,423,574 | 35 |
| | **Total liabilities** | 10,842,179 | 50 | 11,008,004 | 56 | 10,202,386 | 56 |
| | **Equity** (note 6(16)): | | | | | | |
| | **Equity attributable to parent company shareholders:** | | | | | | |
| 3100 | Share capital | 2,628,713 | 12 | 2,453,540 | 12 | 2,453,040 | 14 |
| 3200 | Capital surplus | 8,037,663 | 38 | 6,799,186 | 34 | 6,795,486 | 37 |
| 3300 | Retained earnings (accumulated deficits) | 1,068,627 | 5 | 353,662 | 2 | (279,749) | (1) |
| 3400 | Other equity | (1,057,472) | (5) | (860,974) | (4) | (1,071,858) | (6) |
| | **Total equity attributable to parent company shareholders** | 10,677,531 | 50 | 8,745,414 | 44 | 7,896,919 | 44 |
| 36XX | Non-controlling interests | - | - | - | - | 1,825 | - |
| | **Total equity** | 10,677,531 | 50 | 8,745,414 | 44 | 7,898,744 | 44 |
| | **Total liabilities and equity** | $ 21,519,710 | 100 | 19,753,418 | 100 | 18,101,130 | 100 |

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

## Lotus Pharmaceutical Co., Ltd. and Subsidiaries

## Consolidated Statements of Comprehensive Income

## For the three months and six months ended June 30, 2021 and 2020

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

| | | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2021 | | 2020 | | 2021 | | 2020 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4100 | **Net revenue** (notes 6(19) and 7) | $ 3,464,117 | 100 | 2,676,913 | 100 | 6,788,506 | 100 | 4,711,346 | 100 |
| 5110 | **Cost of sales** (notes 6(4) and 7) | 2,015,476 | 58 | 1,600,011 | 60 | 3,843,037 | 57 | 2,700,165 | 57 |
| 5900 | **Gross profit from operations** | 1,448,641 | 42 | 1,076,902 | 40 | 2,945,469 | 43 | 2,011,181 | 43 |
| | **Operating expenses** (note 7)**:** | | | | | | | | |
| 6100 | Selling expenses | 453,206 | 14 | 355,985 | 13 | 870,582 | 13 | 698,433 | 15 |
| 6200 | Administrative expenses | 211,033 | 6 | 217,573 | 8 | 494,266 | 7 | 410,680 | 9 |
| 6300 | Research and development expenses | 174,750 | 5 | 85,805 | 3 | 252,416 | 4 | 176,597 | 4 |
| 6450 | Expected credit loss (note 6(3)) | 4,675 | - | 1,256 | - | 9,012 | - | 1,098 | - |
| | **Total operating expenses** | 843,664 | 25 | 660,619 | 24 | 1,626,276 | 24 | 1,286,808 | 28 |
| 6900 | **Operating income** | 604,977 | 17 | 416,283 | 16 | 1,319,193 | 19 | 724,373 | 15 |
| | **Non-operating income and expenses:** | | | | | | | | |
| 7100 | Interest income | 1,311 | - | 761 | - | 2,233 | - | 1,818 | - |
| 7010 | Other income (notes 6(2) and 7) | (3,427) | - | 2,966 | - | 13,447 | - | 4,934 | - |
| 7020 | Other gains and losses, net (notes 6(21) and 7) | (41,690) | (1) | 32,108 | 1 | (110,093) | (1) | (15,063) | - |
| 7050 | Finance costs (notes 6(21) and 7) | (77,400) | (2) | (82,753) | (3) | (147,648) | (2) | (184,734) | (4) |
| 7060 | Share of profit of investment accounted for using equity method (note 6(5)) | - | - | 5,928 | - | - | - | 5,077 | - |
| | | (121,206) | (3) | (40,990) | (2) | (242,061) | (3) | (187,968) | (4) |
| 7900 | **Income before income tax** | 483,771 | 14 | 375,293 | 14 | 1,077,132 | 16 | 536,405 | 11 |
| 7950 | Less: Income tax expense (note 6(15)) | 129,193 | 4 | 76,638 | 3 | 273,671 | 4 | 103,628 | 2 |
| | **Net income** | 354,578 | 10 | 298,655 | 11 | 803,461 | 12 | 432,777 | 9 |
| 8300 | **Other comprehensive income:** | | | | | | | | |
| 8310 | **Components of other comprehensive income (loss) that will not be reclassified to profit or loss** | | | | | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 4,480 | - | (40,414) | (1) | 4,480 | - | (40,414) | (1) |
| 8316 | Unrealized losses from financial asset at fair value through other comprehensive income | (38,131) | (1) | (16,149) | - | (28,892) | - | (58,794) | (1) |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | (971) | - | 8,830 | - | (971) | - | 8,830 | - |
| | Components of other comprehensive loss that will not be reclassified to profit or loss | (34,622) | (1) | (47,733) | (1) | (25,383) | - | (90,378) | (2) |
| 8360 | **Components of other comprehensive income (loss) that will be reclassified to profit or loss** | | | | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (80,601) | (2) | (46,550) | (2) | (194,942) | (3) | (274,456) | (6) |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | 30,990 | 1 | - | - | 30,990 | 1 |
| | Components of other comprehensive loss that will be reclassified to profit or loss | (80,601) | (2) | (15,560) | (1) | (194,942) | (3) | (243,466) | (5) |
| 8300 | **Other comprehensive loss, net** | (115,223) | (3) | (63,293) | (2) | (220,325) | (3) | (333,844) | (7) |
| 8500 | **Total comprehensive income** | **$ 239,355** | **7** | **235,362** | **9** | **583,136** | **9** | **98,933** | **2** |
| | **Net income attributable to:** | | | | | | | | |
| 8610 | Owners of the Company | $ 354,578 | 10 | 298,619 | 11 | 803,461 | 12 | 430,127 | 9 |
| 8615 | Former owner of business combination under common control | - | - | - | - | - | - | 2,431 | |
| 8620 | Non-controlling interests | - | - | 36 | - | - | - | 219 | - |
| | | **$ 354,578** | **10** | **298,655** | **11** | **803,461** | **12** | **432,777** | **9** |
| | **Total comprehensive income attributable to:** | | | | | | | | |
| 8710 | Owners of the Company | $ 239,355 | 7 | 235,402 | 9 | 583,136 | 9 | 94,755 | 2 |
| 8715 | Former owner of business combination under common control | - | - | - | - | - | - | 4,167 | - |
| 8720 | Non-controlling interests | - | - | (40) | - | - | - | 11 | - |
| | | $ 239,355 | 7 | 235,362 | 9 | 583,136 | 9 | 98,933 | 2 |
| | **Earnings per share** (note 6(18)) | | | | | | | | |
| 9750 | Basic earnings per share | $ | **1.38** | | **1.23** | | **3.21** | | **1.77** |
| 9850 | Diluted earnings per share | $ | **1.38** | | **1.23** | | **3.20** | | **1.77** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

## Lotus Pharmaceutical Co., Ltd. and Subsidiaries

## Consolidated Statements of Changes in Equity

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

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to parent company shareholders | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings (accumulated deficits) | | | | Other equity | | | | | | | |
| | Share capital | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings (accumulated deficits) | Total | Exchange differences on translation of foreign financial statements | Unrealized losses on financial asset at fair value through other comprehensive income | Unearned share-based payments | Total | Equity attributable to parent company shareholders | Equity attributable to former owner of business combination under common control | Non-controlling interests | Total equity |
| **Balance at January 1, 2020 (After restatement)** | $ 2,431,140 | 6,588,034 | - | - | (652,936) | (652,936) | (453,774) | (170,449) | - | (624,223) | 7,742,015 | (25,320) | 1,814 | 7,718,509 |
| Net income | - | - | - | - | 430,127 | 430,127 | - | - | - | - | 430,127 | 2,431 | 219 | 432,777 |
| Other comprehensive income (loss) | - | - | - | - | (31,584) | (31,584) | (244,994) | (58,794) | - | (303,788) | (335,372) | 1,736 | (208) | (333,844) |
| Total comprehensive income (loss) | - | - | - | - | 398,543 | 398,543 | (244,994) | (58,794) | - | (303,788) | 94,755 | 4,167 | 11 | 98,933 |
| Reorganization | - | - | - | - | (24,834) | (24,834) | - | - | - | - | (24,834) | 21,153 | - | (3,681) |
| Changes in ownership interests in subsidiaries | - | - | - | - | (522) | (522) | - | - | - | - | (522) | - | - | (522) |
| Share-based payments | 21,900 | 126,391 | - | - | - | - | - | - | (143,847) | (143,847) | 4,444 | - | - | 4,444 |
| Arising from adjustment of reverse acquisition | - | 81,061 | - | - | - | - | - | - | - | - | 81,061 | - | - | 81,061 |
| **Balance at June 30, 2020** | **$ 2,453,040** | **6,795,486** | **-** | **-** | **(279,749)** | **(279,749)** | **(698,768)** | **(229,243)** | **(143,847)** | **(1,071,858)** | **7,896,919** | **-** | **1,825** | **7,898,744** |
| **Balance at January 1, 2021** | $ 2,453,540 | 6,799,186 | - | - | 353,662 | 353,662 | (537,192) | (202,509) | (121,273) | (860,974) | 8,745,414 | - | - | 8,745,414 |
| Net income | - | - | - | - | 803,461 | 803,461 | - | - | - | - | 803,461 | - | - | 803,461 |
| Other comprehensive income (loss) | - | - | - | - | 3,509 | 3,509 | (194,942) | (28,892) | - | (223,834) | (220,325) | - | - | (220,325) |
| Total comprehensive income (loss) | - | - | - | - | 806,970 | 806,970 | (194,942) | (28,892) | - | (223,834) | 583,136 | - | - | 583,136 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 35,366 | - | (35,366) | - | - | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 115,476 | (115,476) | - | - | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (92,005) | (92,005) | - | - | - | - | (92,005) | - | - | (92,005) |
| Issuance of ordinary shares for cash | 175,173 | 1,238,477 | - | - | - | - | - | - | - | - | 1,413,650 | - | - | 1,413,650 |
| Share-based payments | - | - | - | - | - | - | - | - | 27,336 | 27,336 | 27,336 | - | - | 27,336 |
| **Balance at June 30, 2021** | **$ 2,628,713** | **8,037,663** | **35,366** | **115,476** | **917,785** | **1,068,627** | **(732,134)** | **(231,401)** | **(93,937)** | **(1,057,472)** | **10,677,531** | **-** | **-** | **10,677,531** |

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

## Lotus Pharmaceutical Co., Ltd. and Subsidiaries

## Consolidated Statements of Cash Flows

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

## (Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30 | |
|---|---|---|
| | 2021 | 2020 |
| **Cash flows from operating activities:** | | |
| **Income before income tax** | $ 1,077,132 | 536,405 |
| **Adjustments:** | | |
| **Adjustments to reconcile income** | | |
| Depreciation expense | 122,082 | 124,000 |
| Amortization expense | 257,612 | 215,636 |
| Expected credit loss | 9,012 | 1,098 |
| Finance costs | 147,648 | 184,734 |
| Interest income | (2,233) | (1,818) |
| Dividend income | (4,308) | - |
| Share-based payments | 27,336 | 4,444 |
| Share of profit of investment accounted for using equity method | - | (5,077) |
| Losses on disposal of property, plant and equipment | 1,453 | 1,699 |
| Impairment loss on intangible assets | 99,985 | - |
| Unrealized foreign exchange losses | 19,500 | 33,063 |
| Write-down of inventories | 79,595 | 60,534 |
| Losses from early repayment of loans | 43,417 | 37,882 |
| Losses (gains) on lease modification | (3) | 129 |
| **Total adjustments to reconcile income** | 801,096 | 656,324 |
| **Changes in operating assets and liabilities:** | | |
| **Changes in operating assets:** | | |
| Contract assets | 59,836 | - |
| Notes and accounts receivable | (162,438) | (160,115) |
| Accounts receivable－related parties | (1,185,027) | (237,625) |
| Other receivables | (29,388) | 34,977 |
| Other receivables－related parties | 27,953 | 79,487 |
| Inventories | (644,884) | (247,817) |
| Other current assets | (13,692) | (12,492) |
| Other non-current assets | (1,888) | 226,116 |
| **Total changes in operating assets** | (1,949,528) | (317,469) |
| **Changes in operating liabilities:** | | |
| Contract liabilities | 28,131 | 138,644 |
| Notes and accounts payable | 160,367 | (111,081) |
| Accounts payable－related parties | (711,878) | 635,241 |
| Other payables | (169,427) | (50,005) |
| Other payables－related parties | 172,054 | (147,401) |
| Provisions | (226) | (6,067) |
| Other current liabilities | (12,365) | (58,862) |
| Defined benefit liability, net | (9,576) | 55,421 |
| Other non-current liabilities | 2,418 | (736) |
| **Total changes in operating liabilities** | (540,502) | 455,154 |
| **Total changes in operating assets and liabilities** | (2,490,030) | 137,685 |
| **Total adjustments** | (1,688,934) | 794,009 |

**(Continued)**

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

## Lotus Pharmaceutical Co., Ltd. and Subsidiaries

## Consolidated Statements of Cash Flows (Continued)

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

## (Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30 | |
|---|---|---|
| | **2021** | **2020** |
| Cash flows generated from (used in) operations | (611,802) | 1,330,414 |
| Interest received | 7,206 | 1,415 |
| Interest paid | (120,685) | (280,684) |
| Income taxes paid | (179,642) | (33,626) |
| **Net cash flows generated from (used in) operating activities** | (904,923) | 1,017,519 |
| **Cash flows from investing activities:** | | |
| Equity attributable to former owner of business combination under common control | - | (3,681) |
| Acquisition of property, plant and equipment | (328,902) | (207,326) |
| Proceeds from disposal of property, plant and equipment | 61 | 29 |
| Decrease in refundable deposits | 8,819 | 5,712 |
| Acquisition of intangible assets (including capitalized development expenses) | (289,498) | (1,199,932) |
| Decrease in other current assets | 18,513 | 372,668 |
| Decrease (increase) in other non-current assets | (37,730) | 335,623 |
| Dividends received | 4,308 | - |
| Arising from adjustment of reverse acquisition | - | 81,061 |
| **Net cash flows used in investing activities** | (624,429) | (615,846) |
| **Cash flows from financing activities:** | | |
| Proceeds from short-term borrowings | 670,800 | - |
| Repayments of short-term borrowings | (870,800) | (50,000) |
| Proceeds from long-term borrowings | 5,062,903 | 5,549,538 |
| Repayments of long-term borrowings | (4,547,573) | (3,539,579) |
| Decrease in long-term payables to related parties | - | (2,429,922) |
| Payment of lease liabilities | (31,620) | (33,560) |
| Increase in other non-current liabilities | - | 5,895 |
| Proceeds from issuance of ordinary shares | 1,413,650 | - |
| **Net cash flows generated from (used in) financing activities** | 1,697,360 | (497,628) |
| **Effect of exchange rate changes on cash and cash equivalents** | (34,940) | (87,239) |
| **Net increase (decrease) in cash and cash equivalents** | 133,068 | (183,194) |
| **Cash and cash equivalents at beginning of period** | 1,489,004 | 1,276,865 |
| **Cash and cash equivalents at end of period** | $ **1,622,072** | **1,093,671** |

See accompanying notes to consolidated financial statements.

# Lotus Pharmaceutical Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

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

## (Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

### 1. Company history

Lotus Pharmaceutical Co., Ltd. (the "Company") was incorporated in the Republic of China (ROC) on June 30, 1966, wherein the Company's shares started to be traded on the Taipei Exchange on January 29, 2010. On December 16, 2019, the Company switched the listing venue of its shares to the Taiwan Stock Exchange (the "TWSE").

On August 11, 2014, the Company issued privately placed shares of 151,100,000 shares to Alvogen Emerging Markets Holdings Limited ("Alvogen EMH"); consequently, the Company acquired equity interest in certain subsidiaries of the Alvogen Group as follows: 100% of Alvogen Korea Holdings Ltd. ("Alvogen Korea Holdings") and its subsidiary, Alvogen Korea Co., Ltd. ("Alvogen Korea"); 98% of Alvogen Pharma India Pvt Ltd.("Alvogen India") and its subsidiary, Norwich Clinical Services Private Limited ("NCS"); and 100% of Taiwan Alvogen Ltd. (collectively referred to as the "legal subsidiaries"). The above acquisitions of equity interest in legal subsidiaries were considered to be a reverse acquisition, wherein the preparation of the consolidated financial statements was based on and issued in the name of the Company but presented as a continuation of the financial statements of the legal subsidiaries. In April 2020, Taiwan Alvogen Ltd. was dissolved after its business was consolidated into the Company's operations. In December 2020, the Company acquired the remaining 2% equity interest in Alvogen India, resulting in the Company to fully own Alvogen India and its subsidiary, NCS, after the acquisition.

In addition, the Company also acquired the distribution rights to two abbreviated new drug application ("ANDA") filings for Buprenorphine/Naloxone and Budesonide from the Alvogen Group (refer further to note 7(3)).

Furthermore, the Company acquired the distribution rights from the Alvogen Group to sell two monoclonal antibody molecules to certain Asian markets, excluding Japan; please refer to Note a in note 6(16).

The Company and its subsidiaries (collectively referred to as the "Group") is engaged mainly in the research and development, manufacturing and sales of pharmaceutical products, as well as consulting services.

### 2. Approval date and procedures of the consolidated financial statements

The consolidated financial statements for the six months ended June 30, 2021 and 2020 were authorized for issuance by the Board of Directors on August 12, 2021.

## 3. New standards, amendments and interpretations adopted

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform －Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(2) The impact of IFRSs issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

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

(3) The impact of IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by IASB, but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|---|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.<br>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

## 4. Summary of significant accounting policies

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparing of Financial Reports by Securities Issues ("Regulations") and IAS 34 "Interim Financial Reporting" which were endorsed and issued into effect by the FSC, and do not include all of the information required by the IFRSs, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRSs endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except for the accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements were the same as those of the 2020 annual consolidated financial statements. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020 (the " 2020 annual consolidated financial statements").

(2) Basis of consolidation

Principles of preparation of the consolidated financial statements were the same as those of the 2020 annual consolidated financial statements. For the related information, please refer to note 4 of the 2020 annual consolidated financial statements.

A. List of subsidiaries included in the consolidated financial statements:

| | | | Shareholding | | | |
|---|---|---|---|---|---|---|
| **Investor** | **Subsidiary** | **Nature of business** | **June 30, 2021** | **December 31, 2020** | **June 30, 2020** | **Notes** |
| The Company | Alvogen Korea Holdings | Investment business | 100.00 % | 100.00 % | 100.00 % | |
| The Company | Alvogen India | Investment business | 100.00 % | 100.00 % | 98.00 % | (Notes 1 and 7) |

| | | | Shareholding | | | |
|---|---|---|---|---|---|---|
| **Investor** | **Subsidiary** | **Nature of business** | **June 30, 2021** | **December 31, 2020** | **June 30, 2020** | **Notes** |
| The Company | Lotus International Pte. Ltd. | Investment business and sale of medicine | 100.00 % | 100.00 % | 100.00 % | (Note 7) |
| The Company | Lotus Japan Holdings Co., Ltd. | Sale of medicine, clinical machine retail | 100.00 % | 100.00 % | 100.00 % | (Note 7) |
| The Company | Lotus Jonson Biotech Limited | Cosmetics wholesale, medicine retail, clinical machine retail, international trade industry, biotech technological services, and related consulting services | 100.00 % | 100.00 % | 100.00 % | (Note 7) |
| The Company | Avos Pharma Science Co., Ltd. | Biotech technological services, clinical machine retail and related consulting services | 100.00 % | 100.00 % | - | (Notes 4 and 7) |
| The Company | Lotus Pharmaceutical, HK Ltd. | Data collection and agent services in Hong Kong | 18.73 % | 18.73 % | 100.00 % | (Notes 2 and 7) |
| The Company | Alvogen (Thailand) Ltd. | Sale of pharmaceuticals and medicinal chemical products | 3.81 % | 3.81 % | 3.81 % | (Notes 3 and 7) |
| Alvogen Korea Holdings | Alvogen Korea | Manufactures and sells medicines | 100.00 % | 100.00 % | 100.00 % | |
| Alvogen India | NCS | Contract research organization | 100.00 % | 100.00 % | 100.00 % | (Note 7) |
| Lotus Pharmaceutical, HK Ltd. | Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited | Consultation on health management, health technology, trading information, market planning, and business information | 100.00 % | 100.00 % | 100.00 % | (Note 7) |
| Lotus Pharmaceutical, HK Ltd. | Alvogen (Thailand) Ltd. | Sale of pharmaceuticals and medicinal chemical products | 0.04 % | 0.04 % | 0.04 % | (Notes 3 and 7) |
| Lotus International Pte. Ltd. | Lotus Support Services SRL | Pharmaceutical regulatory affairs project management services | 100.00 % | 100.00 % | 100.00 % | (Note 7) |
| Lotus International Pte. Ltd. | Alvogen (Thailand) Ltd. | Sale of pharmaceuticals and medicinal chemical products | 96.15 % | 96.15 % | 96.15 % | (Notes 3 and 7) |

| | | | Shareholding | | | |
|---|---|---|---|---|---|---|
| **Investor** | **Subsidiary** | **Nature of business** | **June 30, 2021** | **December 31, 2020** | **June 30, 2020** | **Notes** |
| Lotus International Pte. Ltd. | Lotus Alvogen Malta Ltd. | Sale of pharmaceuticals and medicinal chemical products and related consulting services | 100.00 % | 100.00 % | - | (Notes 5 and 7) |
| Lotus International Pte. Ltd. | Lotus Pharmaceutical, HK Ltd. | Data collection and agent services in Hong Kong | 81.27 % | 81.27 % | - | (Notes 2 and 7) |
| Lotus International Pte. Ltd. | Lotus Healthcare Malaysia Sdn. Bhd. | Marketing activities and healthcare consultancy | 100.00 % | - | - | (Notes 6 and 7) |

Note 1: On December 1, 2020, the Company acquired the remaining 2% equity interest in Alvogen India, resulting in the Company to fully own Alvogen India and its subsidiary, NCS, after the acquisition.

Note 2: On December 1, 2020, Lotus International Pte. Ltd. acquired new shares issued by Lotus Pharmaceutical, HK Ltd., a subsidiary originally fully owned by the Company, resulting in Lotus International Pte. Ltd. holding 81.27% equity interest in Lotus Pharmaceutical, HK Ltd. after the acquisition.

Note 3: On April 1, 2020, the Company’s Board of Directors resolved to acquire 100% equity interest in Alvogen (Thailand) Ltd., a subsidiary originally owned by the Alvogen Group; the acquisition was completed in the second quarter of 2020. The acquisition was considered to be a business combination under common control pursuant to guidance in the “Comment on IFRS” and Interpretation 2012-301 issued by the Accounting Research and Development Foundation.

Note 4: In the third quarter of 2020, the Company incorporated fully owned subsidiary, Avos Pharma Science Co., Ltd.

Note 5: In the third quarter of 2020, Lotus International Pte. Ltd. incorporated fully owned subsidiary, Lotus Alvogen Malta Ltd.

Note 6: In the second quarter of 2021, Lotus International Pte. Ltd. incorporated fully owned subsidiary, Lotus Healthcare Malaysia Sdn. Bhd.

Note 7: The financial statements of non-significant subsidiary have not been reviewed.

B. List of subsidiaries not included in the consolidated financial statements: None.

(3) Business combination

Business combination under common control is not accounted for using the acquisition method but are accounted for at the carrying amount of the entity acquired. In preparation of the comparative consolidated financial statements, such acquisition is disclosed under the assumption that it has occurred in that period.

(4) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by management. This should be recognized fully as tax expense for the current period.

Income taxes that are recognized directly in equity or other comprehensive income are measured in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases at the tax rates that are expected to be applied in the year in which the asset is realized or the liability is settled.

(5) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events, if any.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34 “Interim Financial Reporting” endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the 2020 annual consolidated financial statements. For related information, please refer to note 5 of the 2020 annual consolidated financial statements.

## 6. Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the consolidated financial statements for the current period and the 2020 annual consolidated financial statements. Please refer to notes 6 to 27 of the 2020 annual consolidated financial statements.

(1) Cash and cash equivalents

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|
| Cash on hand and demand deposits | $ 1,614,742 | 1,450,581 | 1,093,671 |
| Cash equivalents | 7,330 | 38,423 | - |
| Total | **$ 1,622,072** | **1,489,004** | **1,093,671** |

The Group’s cash equivalents include time deposits with original maturities of 3 months or less from the date of acquisition and time deposits for the purpose of meeting short term cash management with no significant penalty for early withdrawal.

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

| | | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|---|
| Financial asset at fair value through other comprehensive income: | | | | |
| Foreign listed stock－Fuji Pharma Co., Ltd. | $ | **355,331** | **412,846** | **388,733** |

A. The Group designated above investment as financial asset at fair value through other comprehensive income because it intends to hold the investment for long term strategic purposes.

B. During the three months and six months ended June 30, 2021, the dividends of $4,308 relating to above investment were recognized.

C. There was no disposal of above investment and transfer of any cumulative gain or loss within equity relating to above investment in the six months ended June 30, 2021 and 2020.

(3) Notes and accounts receivable, net

| | | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|---|
| Notes receivable | $ | 7,950 | 11,745 | 13,182 |
| Accounts receivable | | 1,240,591 | 1,114,562 | 1,182,282 |
| Less: Expected credit loss allowance | | (25,990) | (17,167) | (18,742) |
| | $ | **1,222,551** | **1,109,140** | **1,176,722** |

The Group applies the simplified approach to measure the expected credit loss allowance, which uses of lifetime expected loss provision for all notes and accounts receivables. To measure the expected credit losses, notes and accounts receivables are grouped based on shared credit risk characteristics and the days past due. The expected credit loss allowance was determined as follows:

| | | June 30, 2021 | | |
|---|---|---|---|---|
| | | Gross carrying amount | Weighted average loss rate | Expected credit loss allowance |
| 0 to 60 days past due | $ | 1,181,369 | 0.79 % | 9,326 |
| 61 to 90 days past due | | 14,751 | 1.67 % | 246 |
| 91 to 120 days past due | | 12,867 | 18.39 % | 2,366 |
| 121 to 150 days past due | | 10,029 | 8.55 % | 857 |
| 151 to 180 days past due | | 1,399 | 32.09 % | 449 |
| 181 to 360 days past due | | 8,213 | 34.14 % | 2,804 |
| More than 360 days past due | | 19,913 | 49.93 % | 9,942 |
| | $ | **1,248,541** | | **25,990** |

| | December 31, 2020 | | |
|---|---|---|---|
| | **Gross carrying amount** | **Weighted average loss rate** | **Expected credit loss allowance** |
| 0 to 60 days past due | $ 1,073,089 | 0.39 % | 4,189 |
| 61 to 90 days past due | 11,333 | 7.35 % | 833 |
| 91 to 120 days past due | 2,049 | 16.98 % | 348 |
| 121 to 150 days past due | 5,425 | 4.77 % | 259 |
| 151 to 180 days past due | 1,555 | 12.54 % | 195 |
| 181 to 360 days past due | 6,657 | 18.10 % | 1,205 |
| More than 360 days past due | 26,199 | 38.70 % | 10,138 |
| | **$ 1,126,307** | | **17,167** |

| | June 30, 2020 | | |
|---|---|---|---|
| | **Gross carrying amount** | **Weighted average loss rate** | **Expected credit loss allowance** |
| 0 to 60 days past due | $ 1,035,545 | 0.38 % | 3,914 |
| 61 to 90 days past due | 75,535 | 0.91 % | 688 |
| 91 to 120 days past due | 31,238 | 9.80 % | 3,060 |
| 121 to 150 days past due | 7,504 | 4.13 % | 310 |
| 151 to 180 days past due | 5,358 | 8.29 % | 444 |
| 181 to 360 days past due | 16,860 | 3.83 % | 645 |
| More than 360 days past due | 23,424 | 41.33 % | 9,681 |
| | **$ 1,195,464** | | **18,742** |

The movement in the expected credit loss allowance was as follows:

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| Balance at January 1 | $ 17,167 | 18,025 |
| Credit loss recognized | 9,012 | 1,098 |
| Amounts written off | - | (7) |
| Effect of exchange rate changes | (189) | (374) |
| Balance at June 30 | **$ 25,990** | **18,742** |

(4) Inventories

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|
| Raw materials | $ 1,039,390 | 491,021 | 331,514 |
| Work in process | 596,946 | 518,112 | 243,779 |
| Finished goods and merchandise | 905,199 | 1,066,751 | 796,945 |
| Inventory in transit | 179,491 | 132,606 | 103,016 |
| | **$ 2,721,026** | **2,208,490** | **1,475,254** |

For the three months and six months ended June 30, 2021 and 2020, write down of inventories to net realizable value in the amount of $50,709, $23,547, $79,595 and $60,534, respectively, were included in the cost of sales.

As of June 30, 2021, December 31 and June 30, 2020, none of the Group's inventories were pledged as collateral.

(5) Investment accounted for using equity method

The investment accounted for using equity method was as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|
| An associate that is not individually material | **$ -** | **-** | **13,431** |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Share of profit of associate | **$ -** | **5,928** | **-** | **5,077** |

In the fourth quarter of 2020, the associate was dissolved; the Group received refund of its investment and recognized as gain on liquidation of investment.

Share of profit of investment accounted for using equity method was calculated and disclosed based on the financial statements of the associate that have not been reviewed. Management believes there will be no material impact on the equity method accounting or the calculation of the share of income (loss) and other comprehensive income (loss) based on the financial statements of the associate that have not been reviewed.

(6) Property, plant and equipment

The movement of the property, plant and equipment of the Group for the six months ended June 30, 2021 and 2020, was as follows:

| | | Land | Buildings and plant equipment | Machinery and experiment equipment | Miscellaneous equipment | Construction in progress | Leasehold improvements | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| Balance at January 1, 2021 | $ | 654,221 | 1,012,264 | 1,172,379 | 151,873 | 608,863 | 85,326 | 3,684,926 |
| Additions | | - | 34,263 | 4,519 | 4,189 | 323,372 | 21 | 366,364 |
| Disposals | | - | (412) | (13,462) | (6,582) | - | - | (20,456) |
| Reclassification | | - | 321,084 | 8,478 | 2,494 | (329,760) | - | 2,296 |
| Effect of exchange rate changes | | (18,156) | (27,874) | (26,814) | (3,686) | (3,183) | (2,938) | (82,651) |
| Balance at June 30, 2021 | $ | **636,065** | **1,339,325** | **1,145,100** | **148,288** | **599,292** | **82,409** | **3,950,479** |
| Balance at January 1, 2020 | $ | 656,014 | 988,139 | 1,102,804 | 134,943 | 275,603 | 85,100 | 3,242,603 |
| Additions | | - | 316 | 15,323 | 7,959 | 189,103 | 1,554 | 214,255 |
| Disposals | | - | (300) | (46) | (29) | - | (10,636) | (11,011) |
| Reclassification | | - | 5,922 | 11,220 | 542 | (25,231) | 7,547 | - |
| Effect of exchange rate changes | | (22,016) | (32,384) | (39,089) | (5,128) | (2,214) | (4,439) | (105,270) |
| Balance at June 30, 2020 | $ | **633,998** | **961,693** | **1,090,212** | **138,287** | **437,261** | **79,126** | **3,340,577** |
| Accumulated depreciation and impairment loss: | | | | | | | | |
| Balance at January 1, 2021 | $ | - | 516,932 | 794,017 | 109,685 | - | 71,224 | 1,491,858 |
| Depreciation | | - | 25,715 | 47,606 | 9,297 | - | 2,269 | 84,887 |
| Disposals | | - | (402) | (12,183) | (6,357) | - | - | (18,942) |
| Effect of exchange rate changes | | - | (15,441) | (19,494) | (2,592) | - | (2,666) | (40,193) |
| Balance at June 30, 2021 | $ | **-** | **526,804** | **809,946** | **110,033** | **-** | **70,827** | **1,517,610** |
| Balance at January 1, 2020 | $ | - | 476,548 | 722,783 | 92,432 | - | 74,843 | 1,366,606 |
| Depreciation | | - | 26,112 | 48,017 | 9,605 | - | 2,848 | 86,582 |
| Disposals | | - | (217) | (46) | (29) | - | (8,991) | (9,283) |
| Effect of exchange rate changes | | - | (17,738) | (27,030) | (3,614) | - | (3,973) | (52,355) |
| Balance at June 30, 2020 | $ | **-** | **484,705** | **743,724** | **98,394** | **-** | **64,727** | **1,391,550** |
| Carrying amounts: | | | | | | | | |
| Balance at January 1, 2021 | $ | **654,221** | **495,332** | **378,362** | **42,188** | **608,863** | **14,102** | **2,193,068** |
| Balance at June 30, 2021 | $ | **636,065** | **812,521** | **335,154** | **38,255** | **599,292** | **11,582** | **2,432,869** |
| Balance at January 1, 2020 | $ | **656,014** | **511,591** | **380,021** | **42,511** | **275,603** | **10,257** | **1,875,997** |
| Balance at June 30, 2020 | $ | **633,998** | **476,988** | **346,488** | **39,893** | **437,261** | **14,399** | **1,949,027** |

As of June 30, 2021, December 31 and June 30, 2020, certain of the Group's property, plant and equipment were pledged as collateral; please refer to note 8.

(7) Right-of-use assets

The Group leases certain buildings, office equipment and vehicles. The carrying amounts of the leases for which the Group is a lessee were as follows:

| | Buildings | Office equipment | Vehicles | Total |
|---|---|---|---|---|
| Carrying amounts: | | | | |
| Balance at January 1, 2021 | $ 105,358 | 1,876 | 5,143 | 112,377 |
| Balance at June 30, 2021 | $ 129,875 | 1,601 | 5,878 | 137,354 |
| Balance at January 1, 2020 | $ 162,337 | 2,433 | 8,147 | 172,917 |
| Balance at June 30, 2020 | $ 129,694 | 2,153 | 6,425 | 138,272 |

There was no significant addition, disposal, or recognition and reversal of impairment losses of right-of-use assets for the six months ended June 30, 2021 and 2020. Please refer to note 13 of the 2020 annual consolidated financial statements for other related information.

Information on depreciation for the periods was as follow:

| | Buildings | Office equipment | Vehicles | Total |
|---|---|---|---|---|
| Depreciation: | | | | |
| For the six months ended June 30, 2021 | $ 34,063 | 269 | 2,863 | 37,195 |
| For the six months ended June 30, 2020 | $ 34,466 | 272 | 2,680 | 37,418 |

(8) Goodwill

The carrying amounts of goodwill of the Group were as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|
| Goodwill | $ 5,750,424 | 5,895,681 | 5,733,886 |

There was no significant addition, disposal, or recognition and reversal of impairment losses of goodwill for the six months ended June 30, 2021 and 2020. Please refer to note 14 of the 2020 annual consolidated financial statements for other related information.

(9) Intangible assets

The movement of the intangible assets of the Group for the six months ended June 30, 2021 and 2020, was as follows:

| | Product Rights | Patents | Brand | In-process R&D | Capitalization of Development Expenses | Others | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Balance at January 1, 2021 | $ 4,058,818 | 143,728 | 732,317 | 349,664 | 903,916 | 149,970 | 6,338,413 |
| Additions | 38,410 | - | - | - | 235,553 | 5,523 | 279,486 |
| Reclassification | 28,365 | - | - | - | (28,365) | - | - |
| Effect of exchange rate changes | (122,917) | (6,640) | (33,828) | (16,153) | (5,982) | (4,973) | (190,493) |
| Balance at June 30, 2021 | **$ 4,002,676** | **137,088** | **698,489** | **333,511** | **1,105,122** | **150,520** | **6,427,406** |
| Balance at January 1, 2020 | $ 2,304,418 | 144,384 | 735,659 | 351,259 | 1,159,962 | 138,092 | 4,833,774 |
| Additions | 986,121 | - | - | - | 149,390 | 1,224 | 1,136,735 |
| Disposals | (7,420) | - | - | - | - | (918) | (8,338) |
| Reclassification | 672,797 | - | - | - | (672,797) | - | - |
| Effect of exchange rate changes | (108,626) | (8,051) | (41,023) | (19,587) | (21,730) | (7,353) | (206,370) |
| Balance at June 30, 2020 | **$ 3,847,290** | **136,333** | **694,636** | **331,672** | **614,825** | **131,045** | **5,755,801** |
| Accumulated amortization and impairment loss: | | | | | | | |
| Balance at January 1, 2021 | $ 1,273,635 | 82,131 | 532,433 | 250,578 | 249,817 | 118,829 | 2,507,423 |
| Amortization | 241,288 | 4,980 | - | 5,476 | - | 5,868 | 257,612 |
| Impairment loss (note) | 426 | - | - | - | 99,559 | - | 99,985 |
| Effect of exchange rate changes | (39,885) | (3,878) | (24,596) | (11,667) | (4,386) | (4,301) | (88,713) |
| Balance at June 30, 2021 | **$ 1,475,464** | **83,233** | **507,837** | **244,387** | **344,990** | **120,396** | **2,776,307** |
| Balance at January 1, 2020 | $ 622,934 | 72,193 | 534,862 | 229,046 | 350,999 | 113,234 | 1,923,268 |
| Amortization | 200,979 | 4,942 | - | 5,991 | - | 3,724 | 215,636 |
| Disposals | (7,420) | - | - | - | - | (918) | (8,338) |
| Reclassification | 163,578 | - | - | - | (163,578) | - | - |
| Effect of exchange rate changes | (26,324) | (4,099) | (29,825) | (12,861) | (10,285) | (6,402) | (89,796) |
| Balance at June 30, 2020 | **$ 953,747** | **73,036** | **505,037** | **222,176** | **177,136** | **109,638** | **2,040,770** |
| Carrying amounts: | | | | | | | |
| Balance at January 1, 2021 | **$ 2,785,183** | **61,597** | **199,884** | **99,086** | **654,099** | **31,141** | **3,830,990** |
| Balance at June 30, 2021 | **$ 2,527,212** | **53,855** | **190,652** | **89,124** | **760,132** | **30,124** | **3,651,099** |
| Balance at January 1, 2020 | **$ 1,681,484** | **72,191** | **200,797** | **122,213** | **808,963** | **24,858** | **2,910,506** |
| Balance at June 30, 2020 | **$ 2,893,543** | **63,297** | **189,599** | **109,496** | **437,689** | **21,407** | **3,715,031** |

Note: From January 1 to June 30, 2021, due to a decrease the future economic benefits of certain products, the Group recognized impairment losses and recorded in operating expenses.

As of June 30, 2021, December 31 and June 30, 2020, certain of the Group's intangible assets were pledged as collateral; please refer to note 8.

(10) Short-term borrowings

The short-term borrowings were summarized as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|
| Unsecured bank loans | $ **210,000** | **410,000** | **410,000** |
| Unused credit line | $ **471,267** | **129,275** | **122,623** |
| Range of interest rates | **1.41%~1.46%** | **1.25%~1.525%** | **1.50%~1.74%** |

For the six months ended June 30, 2021, the Group drew down a new short-term loan facility amounting to $670,800, with interest rates of 2%, to repay another bank loan at maturity. For the six months ended June 30, 2021 and 2020, repayments of short-term borrowings amounted to $870,800 and $50,000, respectively. Please refer to note 6(21) for disclosure of interest expenses.

(11) Long-term borrowings

The long-term borrowings were summarized as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|
| Unsecured bank loans | $ 585,007 | 674,479 | 707,442 |
| Secured bank loans | 3,132,142 | 2,699,834 | 2,646,564 |
| Secured loans from other financial institutions | 2,978,699 | 2,932,333 | 2,771,706 |
| | 6,695,848 | 6,306,646 | 6,125,712 |
| Less: Current portion | (591,843) | (1,359,086) | (991,923) |
| Total | $ **6,104,005** | **4,947,560** | **5,133,789** |
| Unused credit line | $ **-** | **-** | **-** |
| Range of maturity period (year/month) | **2021/10~2024/3** | **2021/2~2023/4** | **2021/2~2023/4** |
| Range of interest rates | **1.30%~4.271%** | **1.16%~4.06%** | **2.60%~4.19%** |

For the six months ended June 30, 2021 and 2020, the Group drew down new long-term borrowings amounting to $5,062,903 and $5,549,538, respectively, with interest rates ranging from 1.30% to 4.399% and 2.62% to 4.80%, respectively, maturing in period from February 2022 to March 2024 and March 2021 to April 2023, respectively. For the six months ended June 30, 2021 and 2020, repayments amounted to $4,547,573 and $3,539,579, respectively. Please refer to note 6(21) for disclosure of interest expenses.

In April 2020, the Company entered into a $1,830,000 syndicated loan agreement with the Far Eastern International Bank, with the maturity in period from April 2021 to April 2023, wherein the interest rate as of June 30, 2021 was 2.62%. Pursuant to the terms set forth in the loan agreement, the loan contained financial covenants stating that (i) the net leverage ratio of the Group shall not exceed 3.75 times, (ii) the interest cover ratio of the Group must exceed 3 times, and (iii) the earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group (excluding its subsidiaries in Korea) must exceed USD 2,000 thousand. The Company complied with these financial covenants as of June 30, 2021.

On August 6, 2019, the Company entered into an 18-month bilateral loan agreement with BNP Paribas, in the amount of USD 40,000 thousand ($1,124,132), wherein the Company and Alvogen EMH are the co-borrowers, with Alvogen EMH providing a guarantee to the bank. In the first quarter of 2021, the Company repaid the loan in full.

For assets pledged as collateral for aforementioned long-term borrowings, please refer to note 8.

(12) Lease liabilities－current and non-current

The carrying amounts of the lease liabilities of the Group were as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|
| Current | $ 67,409 | 40,430 | 53,969 |
| Non-current | $ 79,957 | 76,577 | 92,351 |

Please refer to note 6(22) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Interest expenses on lease liabilities | $ 1,825 | 1,789 | 3,689 | 3,798 |
| Expenses relating to short-term leases | $ 2,447 | 1,516 | 4,280 | 2,455 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | $ 380 | 176 | 634 | 305 |
| Covid-19-related rent concessions (recognized as deduction of rent expenses) | $ - | (162) | - | (162) |

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

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| Total cash outflow for leases | $ **40,223** | **37,640** |

A. Real estate leases

The Group leases buildings for its office space. The leases typically run for a period of one to ten years. Certain leases include an option to renew the lease for an additional period after the end of the contract term.

Certain leases also require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

B. Other leases

The Group leases transportation and office equipment with contract terms of one to five years. In certain cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

Certain of the transportation and machinery leases are short-term or for low-value items. The Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(13) Provisions－current and non-current

| | **June 30, 2021** | **December 31, 2020** | **June 30, 2020** |
|---|---|---|---|
| Provisions for estimated return of goods | $ 36,437 | 36,411 | 67,871 |
| Provisions for restoration | 10,763 | 11,085 | 10,329 |
| Provisions for employee benefit obligations | 19,707 | 18,284 | 24,742 |
| | $ **66,907** | **65,780** | **102,942** |

There were no significant changes in provisions for the six months ended June 30, 2021 and 2020. Please refer to note 22 of the 2020 annual consolidated financial statements for other related information.

(14) Employee benefits

A. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial reports as of December 31, 2020 and 2019.

The pension cost recognized in profit or loss for the three months and six months ended June 30, 2021 and 2020 were $29,405, $29,099, $69,104 and $64,996, respectively.

B. Defined contribution plans

The pension cost recognized by the Company and its domestic subsidiaries under the defined contribution plans were $4,182, $3,829, $8,269 and $7,418 for the three months and six months ended June 30, 2021 and 2020, respectively. The payment was made to the Bureau of Labor Insurance.

The pension cost recognized by the Group's overseas subsidiaries under the defined contribution plans were $2,519, $1,053, $4,047 and $1,697 for the three months and six months ended June 30, 2021 and 2020, respectively.

(15) Income tax

A. Income tax expense

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Current tax expense | | | | |
| Current period | $ 113,532 | 39,574 | 252,204 | 124,912 |
| Adjustment for prior periods | 13,492 | 1,899 | 21,442 | 3,208 |
| Undistributed earnings tax | 5,541 | - | 5,541 | - |
| | 132,565 | 41,473 | 279,187 | 128,120 |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | (3,372) | 35,165 | (5,516) | (24,492) |
| Income tax expense | **$ 129,193** | **76,638** | **273,671** | **103,628** |

B. Income tax assessments

As of June 30, 2021, the tax authorities have completed the examination of the Company's income tax returns through 2019, except for 2014 and 2017.

The Company's income tax return for the year 2014 was assessed by the Taipei City National Taxation Bureau, wherein there was an increase in other income related to reverse acquisition, in which management disagreed with, thus, the Company filed an application for reassessment.

As of the reporting date, the application is still in progress. If the application is denied, the Company shall proceed further with the administrative appeal procedure.

(16) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to June 30, 2021 and 2020. For the related information, please refer to note 18 of the 2020 annual consolidated financial statements.

A. Share capital

On April 16, 2021, the Company's Board of Directors approved the issuance of 17,517 thousand shares via private placement to Innobic LL Holding Company Limited. The base date of the private placement was April 21, 2021. The relevant statutory registration procedures have since been completed.

As of June 30, 2021, December 31 and June 30, 2020, there were 22,431 thousand, 156,013 thousand and 156,013 thousand privately placed shares included in the issued share capital of the Company, respectively.

The aforementioned private placement of ordinary shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the TWSE after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the FSC.

B. Capital surplus

The ending balances of capital surplus were as follows:

| | | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|---|
| Additional paid-in capital | $ | 1,805,953 | 567,476 | 567,476 |
| Adjustment related to reverse acquisition (Note a) | | 4,545,184 | 4,545,184 | 4,545,184 |
| Adjustment related to reverse acquisition - for the liabilities originally payable to the Alvogen Group (Note b) | | 270,754 | 270,754 | 270,754 |
| Treasury share transactions | | 16,805 | 16,805 | 16,805 |
| Conversion of convertible bonds | | 1,268,876 | 1,268,876 | 1,268,876 |
| Employee share-based payments | | 130,091 | 130,091 | 126,391 |
| | **$** | **8,037,663** | **6,799,186** | **6,795,486** |

Note a: The amount included the share capital and capital surplus of Alvogen Korea Holdings, Alvogen India and Taiwan Alvogen Ltd. amounting to $3,164,409, plus the consideration transferred of $3,563,075 (excluding the fair value of the conversion right under convertible bonds) and compensation payment of $81,061 (USD 2,750 thousand) related to one of the monoclonal antibody molecules products acquired by the Company during the reverse acquisition, minus the measurement period adjustments (from January 1, 2015 through December 31, 2015) to consideration transferred amounting to $8,439, as well as the issued capital of the Company amounting to $2,254,922 during the period.

Note b: The Company, through reverse acquisition, acquired the creditor's right arising from the payables to the Alvogen Group by Alvogen India and Taiwan Alvogen Ltd., which amounted to USD 6,094 thousand and USD 2,522 thousand, respectively (in the aggregate of $270,754 at the date of acquisition) which was debited to other receivables and credited to capital surplus.

C. Retained earnings

According to the articles of incorporation, in years of earnings, the Company has to offset any accumulated deficit, pay income tax, and appropriate 10% of the balance as a legal reserve before distribution of earnings, unless the amount in the legal reserve is already equal to or greater than the total paid in capital. Thereafter, any remainder shall be set aside or reversed as special reserve in accordance with the relevant laws and regulations. Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the board of directors during the shareholders' meeting for approval. However, the distribution of earnings, by way of cash dividends, can be made after a resolution has been approved by a majority vote at a meeting of the board of directors attended by two thirds of the total number of directors and the resolution is reported to shareholders in their meeting.

In allocating dividends from distributable earnings, the Company takes into consideration its future capital demand, long term financial planning, the cash inflow demand of the shareholders, plans for corporate growth, and the operating environment. During their meeting, the shareholders may adjust the board of directors' proposal and percentage of appropriations depending on the Company's actual profit and capital situation.

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

Pursuant to relevant laws or regulations or as requested by the local authority, total net debit balance of the other components of equity shall be set aside from current earnings as special reserve, and not for distribution. Subsequent decrease pertaining to items that are accounted for as a reduction to the other components of equity shall be reclassified from special reserve to undistributed earnings.

D. Earnings distribution

The amount of cash dividends from the appropriation of 2020 earnings was approved by the Board of Directors in meeting held on May 5, 2021. Other items in the appropriation of 2020 earnings have received the statutorily required number of votes cast on June 15, 2021 through electronic voting to approve the proposal; the 2020 shareholders' meeting will be held on August 31, 2021. The covering of the accumulated deficits from 2019 profits was approved during the shareholders' meeting held on June 30, 2020. The appropriation of 2020 earnings was as follows:

| | For the year ended December 31, 2020 | |
|---|---|---|
| | **Amount per share (dollars)** | **Amount** |
| Dividends to ordinary shareholders: | | |
| Cash | **$ 0.35** | **92,005** |

(17) Share-based payments

On June 24, 2019, the Company's shareholders approved the 2019 Employee Restricted Stock Awards Plan for eligible employees. On May 14 and November 12, 2020, the Company's Board of Directors approved the issuance of 2,190 thousand and 50 thousand shares, respectively, under the 2019 Employee Restricted Stock Awards Plan. Please refer to note 24 of the 2020 annual consolidated financial statements.

The amounts of unearned share-based payments and share-based payment expenses for the six months ended June 30, 2021 and 2020 were as follow:

| | **2021** | **2020** |
|---|---|---|
| Balance at January 1 | $ (121,273) | - |
| Issuance of shares | - | (148,291) |
| Share-based payment expense | 27,336 | 4,444 |
| Balance at June 30 | **$ (93,937)** | **(143,847)** |

(18) Earnings per share

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Basic earnings per share | | | | |
| Net income attributable to owners of the Company | **$ 354,578** | **298,619** | **803,461** | **430,127** |
| Weighted average number of ordinary shares | **256,781** | **243,114** | **249,985** | **243,114** |
| Basic earnings per share | **$ 1.38** | **1.23** | **3.21** | **1.77** |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Diluted earnings per share | | | | |
| Net income attributable to owners of the Company | $ **354,578** | **298,619** | **803,461** | **430,127** |
| Weighted average number of ordinary shares | 256,781 | 243,114 | 249,985 | 243,114 |
| Restricted stock awards issued to employees | 923 | 10 | 841 | 10 |
| Remuneration to employees | 98 | - | 98 | - |
| Weighted average number of ordinary shares (diluted) | **257,802** | **243,124** | **250,924** | **243,124** |
| Diluted earnings per share | $ **1.38** | **1.23** | **3.20** | **1.77** |

(19) Revenue from contracts with customers

A. Disaggregation of revenue

| | For the three months ended June 30, 2021 | | |
|---|---|---|---|
| | Drug Manufacturing Department | Other Segment | Total |
| Primary geographical markets: | | | |
| South Korea | $ 1,283,789 | - | 1,283,789 |
| United States | 1,316,272 | 5,617 | 1,321,889 |
| Others | 843,753 | 14,686 | 858,439 |
| | $ **3,443,814** | **20,303** | **3,464,117** |
| Major products/services lines: | | | |
| Sale of goods | $ 3,431,404 | - | 3,431,404 |
| Sale or out-licensing of intellectual property rights | 1,261 | - | 1,261 |
| Services and others | 11,149 | 20,303 | 31,452 |
| | $ **3,443,814** | **20,303** | **3,464,117** |

| | For the three months ended June 30, 2020 | | |
|---|---|---|---|
| | Drug Manufacturing Department | Other Segment | Total |
| Primary geographical markets: | | | |
| South Korea | $ 1,233,611 | - | 1,233,611 |
| United States | 970,607 | 5,708 | 976,315 |
| Others | 447,153 | 19,834 | 466,987 |
| | **$ 2,651,371** | **25,542** | **2,676,913** |
| Major products/services lines: | | | |
| Sale of goods | $ 2,567,188 | - | 2,567,188 |
| Sale or out-licensing of intellectual property rights | 57,812 | - | 57,812 |
| Services and others | 26,371 | 25,542 | 51,913 |
| | **$ 2,651,371** | **25,542** | **2,676,913** |

| | For the six months ended June 30, 2021 | | |
|---|---|---|---|
| | Drug Manufacturing Department | Other Segment | Total |
| Primary geographical markets: | | | |
| South Korea | $ 2,647,693 | - | 2,647,693 |
| United States | 2,562,925 | 13,058 | 2,575,983 |
| Others | 1,533,016 | 31,814 | 1,564,830 |
| | **$ 6,743,634** | **44,872** | **6,788,506** |
| Major products/services lines: | | | |
| Sale of goods | $ 6,703,787 | - | 6,703,787 |
| Sale or out-licensing of intellectual property rights | 7,728 | - | 7,728 |
| Services and others | 32,119 | 44,872 | 76,991 |
| | **$ 6,743,634** | **44,872** | **6,788,506** |

| | For the six months ended June 30, 2020 | | |
|---|---|---|---|
| | **Drug Manufacturing Department** | **Other Segment** | **Total** |
| Primary geographical markets: | | | |
| South Korea | $ 2,526,657 | - | 2,526,657 |
| United States | 1,289,786 | 13,931 | 1,303,717 |
| Others | 822,679 | 58,293 | 880,972 |
| | **$ 4,639,122** | **72,224** | **4,711,346** |
| Major products/services lines: | | | |
| Sale of goods | $ 4,530,885 | - | 4,530,885 |
| Sale or out-licensing of intellectual property rights | 59,707 | - | 59,707 |
| Services and others | 48,530 | 72,224 | 120,754 |
| | **$ 4,639,122** | **72,224** | **4,711,346** |

B. Contract balances

| | **June 30, 2021** | **December 31, 2020** | **June 30, 2020** |
|---|---|---|---|
| Contract asset－current | **$ 59,941** | **121,039** | **-** |
| Contract liability－current | **$ 164,852** | **132,098** | **189,613** |
| Contract liability－non-current | **$ 99,315** | **111,784** | **110,917** |

For details on notes and accounts receivable, net and expected credit loss allowance, please refer to note 6(3). For details on accounts receivable－related parties, please refer to note 7.

The amount of $13,370 and $7,022 included in contract liability balance at the beginning of the period has been recognized as revenue in the six months ended June 30, 2021 and 2020, respectively.

(20) Remuneration to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, a minimum of 1% will be distributed as employee remuneration, and a maximum of 10% will be allocated as remuneration to directors. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the Company' s subsidiaries who meet certain specific requirements.

For the three months and six months ended June 30, 2021 and 2020, the Company accrued and recognized employee remuneration amounting to $4,235, $0, $9,898 and $0, respectively; however, no remuneration to directors were accrued for the above periods. These amounts were calculated by using the Company's income before income tax for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or loss in the following year. If, however, the board of directors determine that the employee remuneration is to be distributed through stock dividends, the calculation, based on the shares, shall be calculated using the stock price on the day before the approval by the board of directors.

For the year ended December 31, 2020, the remuneration to employees and directors amounted to $5,326 and $0, respectively. For the year ended December 31, 2019, due to accumulated deficit, the Company did not accrue any remuneration to employees and directors. The related information about remuneration to employees and directors is available at the Market Observation Post System website.

(21) Non-operating income and expenses

A. Other gains and losses

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Losses on disposal of property, plant and equipment | $ (1,487) | (83) | (1,453) | (1,699) |
| Foreign exchange (losses) gains | (34,468) | 29,517 | (57,065) | 11,762 |
| Losses from early repayment of loans | - | - | (43,417) | (37,882) |
| Others | (5,735) | 2,674 | (8,158) | 12,756 |
| | **$ (41,690)** | **32,108** | **(110,093)** | **(15,063)** |

B. Finance costs

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Interest expenses on borrowings | $ 67,657 | 73,682 | 128,841 | 165,722 |
| Interest expenses on lease liabilities | 1,825 | 1,789 | 3,689 | 3,798 |
| Others | 7,918 | 7,282 | 15,118 | 15,214 |
| | **$ 77,400** | **82,753** | **147,648** | **184,734** |

(22) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 27 of the 2020 annual consolidated financial statements.

A. Credit risk of receivables

For credit risk exposure of notes and accounts receivables (including related parties), please refer to notes 6(3) and 7.

Other financial assets at amortized cost include other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. The time deposits held by the Group, the transaction counter party and the performing party are financial institutions with investment grade and above, hence, the credit risk is considerably low.

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount | Contractual cash flows | Within 1 year | 1~5 years | Over 5 years |
|---|---|---|---|---|---|
| **June 30, 2021** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowing | $ 210,000 | 210,298 | 210,298 | - | - |
| Notes and accounts payable (including related parties) | 1,190,675 | 1,190,675 | 1,190,675 | - | - |
| Other payables (including related parties) | 1,033,609 | 1,033,609 | 1,033,609 | - | - |
| Long-term borrowings (including current portion) | 6,695,848 | 7,205,965 | 816,494 | 6,389,471 | - |
| Lease liabilities－current and non-current | 147,366 | 157,660 | 77,200 | 80,460 | - |
| | **$ 9,277,498** | **9,798,207** | **3,328,276** | **6,469,931** | **-** |
| **December 31, 2020** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowing | $ 410,000 | 410,721 | 410,721 | - | - |
| Notes and accounts payable (including related parties) | 1,731,724 | 1,731,724 | 1,731,724 | - | - |
| Other payables (including related parties) | 930,375 | 930,375 | 930,375 | - | - |
| Long-term borrowings (including current portion) | 6,306,646 | 6,755,113 | 1,586,245 | 5,168,868 | - |
| Lease liabilities－current and non-current | 117,007 | 127,038 | 45,076 | 81,308 | 654 |
| | **$ 9,495,752** | **9,954,971** | **4,704,141** | **5,250,176** | **654** |

| | Carrying amount | Contractual cash flows | Within 1 year | 1~5 years | Over 5 years |
|---|---|---|---|---|---|
| **June 30, 2020** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowing | $ 410,000 | 411,309 | 411,309 | - | - |
| Notes and accounts payable (including related parties) | 1,427,137 | 1,427,137 | 1,427,137 | - | - |
| Other payables (including related parties) | 464,182 | 464,182 | 464,182 | - | - |
| Long-term borrowings (including current portion) | 6,125,712 | 6,668,559 | 1,211,699 | 5,456,860 | - |
| Lease liabilities－current and non-current | 146,320 | 157,930 | 59,185 | 97,083 | 1,662 |
| | $ 8,573,351 | 9,129,117 | 3,573,512 | 5,553,943 | 1,662 |

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

C. Market risk

(a) Currency risk

The Group's significant exposure of financial assets and liabilities to foreign currency risk was as follows:

| | June 30, 2021 | | | December 31, 2020 | | | June 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign Currency | Exchange Rate | NTD | Foreign Currency | Exchange Rate | NTD | Foreign Currency | Exchange Rate | NTD |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | $ 102,279 | 27.93 | 2,856,480 | 68,211 | 28.10 | 1,916,967 | 57,759 | 29.48 | 1,702,562 |
| EUR | 24,040 | 33.25 | 799,402 | 9,725 | 34.57 | 336,191 | 6,612 | 33.15 | 219,195 |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 42,854 | 27.93 | 1,196,842 | 91,750 | 28.10 | 2,578,467 | 70,189 | 29.48 | 2,068,945 |
| EUR | 3,631 | 33.25 | 120,727 | 2,329 | 34.57 | 80,505 | 3,057 | 33.15 | 101,326 |

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), notes and accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency.

A strengthening/weakening of 5% of the NTD against the USD and EUR for the six months ended June 30, 2021 and 2020 would have increased/decreased the income before income tax by $116,916 and $(12,426), respectively. The analysis was performed on the same basis for 2020.

With varieties of functional currencies within the Group, the information on foreign exchange gain/loss on monetary items was disclosed based on the total amount. For the three months and six months ended June 30, 2021 and 2020, the foreign exchange (losses) gains (including realized and unrealized portions) amounted to $(34,468), $29,517, $(57,065) and $11,762, respectively.

(b) Interest rate

Please refer to the notes on liquidity risk management for the interest rate exposure of the Group's financial liabilities.

The Group mainly borrows capital at floating interest rates, wherein the cash flow risk arises from the changes in interest rates. The Group's main sources of borrowed capital are bank loans and borrowings from other financial institutions.

The following sensitivity analysis was based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis was based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.05% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 0.05%, the Group's income before income tax would have decreased/increased by $1,321 and $1,336 for the six months ended June 30, 2021 and 2020, respectively, with all other variable factors remaining constant.

(c) Other market value risk

For the six months ended June 30, 2021 and 2020, the sensitivity analysis for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

| | **For the six months ended June 30,** | | | |
|---|---|---|---|---|
| | **2021** | | **2020** | |
| **Prices of securities at the reporting date** | **Other Comprehensive income before tax** | **Net income** | **Other Comprehensive income before tax** | **Net income** |
| Increasing 10% | **$ 35,533** | **-** | **38,873** | **-** |
| Decreasing 10% | **$ (35,533)** | **-** | **(38,873)** | **-** |

D. Fair value of financial instruments

(a) Fair value hierarchy

The fair value of financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value like cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), notes and accounts payable (including related parties), other payables (including related parties) and lease liabilities, disclosure of fair value information is not required:

| | June 30, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book Value | Level 1 | Level 2 | Level 3 | Total |
| Financial asset at fair value through other comprehensive income | | | | | |
| Foreign listed stock | $ 355,331 | 355,331 | - | - | 355,331 |

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book Value | Level 1 | Level 2 | Level 3 | Total |
| Financial asset at fair value through other comprehensive income | | | | | |
| Foreign listed stock | $ 412,846 | 412,846 | - | - | 412,846 |

| | June 30, 2020 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book Value | Level 1 | Level 2 | Level 3 | Total |
| Financial asset at fair value through other comprehensive income | | | | | |
| Foreign listed stock | $ 388,733 | 388,733 | - | - | 388,733 |

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

The financial instrument amortized at cost mentioned above was either close to its expiry date, or their future receivable or payable was close to its carrying amount; thus, its fair value was estimated from the book value of the balance sheet date.

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

The Group held its foreign listed stock, which are financial assets traded in an active market with standard provisions and conditions. The fair value is measured using the quoted prices.

(d) Transfer between levels

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

(23) Financial risk management

There were no significant changes in the Group’ s financial risk management and policies as disclosed in note 27 of the 2020 annual consolidated financial statements.

(24) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the 2020 annual consolidated financial statements. Also, management believes that there were no significant changes in the Group’s capital management information as disclosed for the year ended December 31, 2020. Please refer to note 26 of the 2020 annual consolidated financial statements for further details.

(25) Financing activities not affecting current cash flow

The Group’s financing activities which did not affect the current cash flow were as follows:

A. For leased right-of-use assets, please refer to note 6(7).

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

| | January 1, 2021 | Cash flow | Foreign exchange movement and others | June 30, 2021 |
|---|---|---|---|---|
| Short-term borrowings | $ 410,000 | (200,000) | - | 210,000 |
| Long-term borrowings (include current portion) | 6,306,646 | 515,330 | (126,128) | 6,695,848 |
| Lease liabilities | 117,007 | (31,620) | 61,979 | 147,366 |
| Total liabilities from financing activities | **$ 6,833,653** | **283,710** | **(64,149)** | **7,053,214** |

| | January 1, 2020 | Cash flow | Foreign exchange movement and others | June 30, 2020 |
|---|---|---|---|---|
| Short-term borrowings | $ 460,000 | (50,000) | - | 410,000 |
| Long-term borrowings (include current portion) | 4,302,708 | 2,009,959 | (186,955) | 6,125,712 |
| Lease liabilities | 174,837 | (33,560) | 5,043 | 146,320 |
| Total liabilities from financing activities | **$ 4,937,545** | **1,926,399** | **(181,912)** | **6,682,032** |

## 7. Related-party transactions

(1) Parent company and ultimate controlling party

The Company's parent company is Alvogen EMH, which held 57.48% of the Company's ordinary shares as of June 30, 2021. The Company's intermediate holding company is Alvogen Lux Holdings SARL; and the Company's ultimate controlling party is Celtic Holdings SCA.

(2) Name and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

| Name of related parties | Relationship with the Group |
|---|---|
| Alvogen EMH | Parent company |
| Adalvo Competence Center SRL | Other related party |
| Adalvo EOOD | Other related party |
| Adalvo Limited (Formerly Alvogen Malta (Out-Licensing) Ltd.) | Other related party |
| Almatica Pharma LLC | Other related party |
| Alvogen ehf. | Other related party |
| Alvogen Holding (Thailand) Ltd. | Other related party |
| Alvogen Iceland ehf. | Other related party |
| Alvogen Inc. | Other related party |
| Alvogen Malta Group Services Limited | Other related party |
| Alvogen Malta Operations Asia Limited ("AMOA") | Other related party |
| Alvogen Malta Operations Ltd. ("AMO") | Other related party |
| Alvogen Malta Operations (ROW) Limited | Other related party (note) |
| Alvogen Malta Shared Services Ltd. | Other related party |
| Alvogen Singapore Pte. Ltd. | Other related party |
| Alvogen PB Research & Development LLC. ("Alvogen PB R&D") | Other related party |
| Alvogen Pharma d.o.o. | Other related party (note) |
| Alvogen Pharma Trading Europe EOOD | Other related party (note) |
| Alvotech hf. | Other related party |
| Labormed Pharma S.A. | Other related party (note) |
| Labormed Pharma Trading SRL | Other related party (note) |
| Norwich Pharmaceuticals, Inc. | Other related party |
| Alvogen Pine Brook LLC | Other related party |

Note: Following the divestment of Alvogen's Central and Eastern European business to an unrelated party, these companies ceased to be a related party to the Group from April, 2020.

(3) Significant transactions with related parties

A. Sales

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Alvogen Inc. | $ 1,324,235 | 878,045 | 2,577,146 | 1,191,418 |
| Adalvo Limited | 379,666 | 30,442 | 636,091 | 57,265 |
| Other related parties | 3,335 | 107,181 | 9,029 | 145,098 |
| | **$ 1,707,236** | **1,015,668** | **3,222,266** | **1,393,781** |

Since 2019, the Company engaged Alvogen Inc. as its exclusive distributor in the United States for Buprenorphine/Naloxone. Pursuant to the Distribution Agreement, the Company and Alvogen Inc. share the resulting profits from sales of this product in the United States according to agreed profit-sharing percentages. The Company accrues shelf stock adjustment when the impact of a decrease in the market price is anticipated, based on estimated decline in the market price and inventory level held by Alvogen Inc. As of June 30, 2021, the shelf stock adjustment was $155,000, presented in other payables－related parties.

B. Purchases

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Alvogen Inc. | $ 859,972 | - | 1,038,653 | - |
| AMO | - | 625,060 | - | 826,953 |
| Other related parties | 3,263 | 42,941 | 3,389 | 86,989 |
| | **$ 863,235** | **668,001** | **1,042,042** | **913,942** |

C. Receivables from related parties

| **Accounts** | **Name of related parties** | **June 30, 2021** | **December 31, 2020** | **June 30, 2020** |
|---|---|---|---|---|
| Account receivables －related parties | Alvogen Inc. | $ 2,113,944 | 1,319,981 | 1,179,881 |
| | Adalvo Limited | 599,223 | 187,806 | 137,465 |
| | Other related parties | 3,062 | 9,468 | 118,115 |
| | | **$ 2,716,229** | **1,517,255** | **1,435,461** |

| Accounts | Names of related parties | | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|---|---|
| Other receivables－related parties | Alvogen PB R&D | $ | 30,523 | 39,731 | 22,593 |
| | Alvogen Singapore Pte. Ltd. | | - | 8,194 | 4,409 |
| | Adalvo Limited | | - | - | 15,756 |
| | Other related parties | | 109 | 109 | 795 |
| | | **$** | **30,632** | **48,034** | **43,553** |

Receivables from related parties were not pledged as collateral, and were assessed not to provide for any loss allowance.

D. Payables to related parties

| Accounts | Names of related parties | | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|---|---|
| Accounts payable－related parties | Alvogen Inc. | $ | 427,112 | 87,748 | - |
| | AMO | | - | 1,016,773 | 838,545 |
| | Other related parties | | - | 11,588 | 49,650 |
| | | **$** | **427,112** | **1,116,109** | **888,195** |
| Other payables－related parties | Alvogen Inc. | $ | 156,293 | 921 | 4,010 |
| | Alvogen EMH | | 41,779 | 963 | 2,461 |
| | Norwich Pharmaceuticals, Inc. | | 4,252 | 3,952 | 4,310 |
| | Alvogen PB R&D | | 2,310 | 9,993 | 13,264 |
| | Other related parties | | 28,824 | 3,925 | 365 |
| | | **$** | **233,458** | **19,754** | **24,410** |

E. Property transactions

Prices of intangible assets purchased from related parties were summarized as follows:

| Names of related parties | Accounts | | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | | **2021** | **2020** | **2021** | **2020** |
| Adalvo Limited | Intangible assets | **$** | **14,669** | **-** | **14,669** | **-** |
| AMOA | Intangible assets | **$** | **-** | **-** | **-** | **214,618** |

In the second quarter of 2021, Lotus International Pte. Ltd. entered into an agreement with Adalvo Limited to acquire the rights to a product in certain countries in Asia at a total consideration of USD 1,579 thousand; upfront payment of USD 526 thousand ($14,669) was paid and remaining two milestones totaled USD 1,053 thousand ($29,398) are contingent upon the achievement of milestone events stipulated in the agreement.

In the first quarter of 2020, Lotus International Pte. Ltd. entered into an agreement with AMOA to acquire a portfolio of rights, titles, interests, benefits and obligations of products in Asia for a total consideration of USD 7,100 thousand ($214,618).

F. Borrowings from related parties

Long term payables－related parties were as follows (amounts in thousands of New Taiwan Dollars and U.S. Dollars):

| | For the twelve months ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| **Names of related parties** | **Highest balance** | **Ending balance** | **Interest rate** | **Interest Expenses** | **Interest payables** |
| Alvogen EMH | $ 2,570,617 (USD 85,000) | - | 5.0% (Note 1) | 36,437 | - |
| Alvogen EMH | $ 157,375 (USD 5,176) | - | 6.0% (Note 2) | 3,007 | - |

| | For the six months ended June 30, 2020 | | | | |
|---|---|---|---|---|---|
| **Name of related party** | **Highest balance** | **Ending balance** | **Interest rate** | **Interest Expenses** | **Interest payables** |
| Alvogen EMH | $ 2,570,617 (USD 85,000) | - | 5.0% (Note 1) | 36,437 | - |
| Alvogen EMH | $ 157,375 (USD 5,176) | - | 6.0% (Note 2) | 3,007 | - |

Note 1: The interest rate is 3.25% plus three-month USD LIBOR.

Note 2: The interest rate is 4% plus twelve-month USD LIBOR.

G. Others

(a)

| Accounts | Names of related parties | For the three months ended June 30, 2021 | For the three months ended June 30, 2020 | For the six months ended June 30, 2021 | For the six months ended June 30, 2020 |
|---|---|---|---|---|---|
| Capitalization of development expense | Alvogen PB R&D | $ (605) | 5,113 | 10,842 | 5,138 |
| | Adalvo Limited | 1,939 | - | 3,900 | - |
| | | $ 1,334 | 5,113 | 14,742 | 5,138 |
| Operating cost | Other related parties | $ 95,025 | 3,348 | 172,937 | 6,536 |
| Operating expense | Other related parties | $ - | 9,203 | 885 | 10,693 |
| Other income | Adalvo Limited | $ 2,248 | 2,239 | 2,177 | 2,239 |
| | Other related parties | 131 | - | 131 | 30 |
| | | $ 2,379 | 2,239 | 2,308 | 2,269 |
| Interest expenses | Alvogen EMH | $ - | 4,183 | - | 39,444 |
| Other expense | Other related parties | $ 2,004 | - | 2,727 | 3,505 |
| Reimbursed income for development costs recognized as an offset to research and development expense | Alvogen PB R&D | $ (26,745) | (19,219) | (30,417) | (19,730) |
| License fee recognized to operating cost | AMO | $ - | 26,717 | - | 26,717 |

(b)

| Accounts | Names of related parties | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|---|
| Contract assets－current | Adalvo Limited | $ 36,372 | 43,928 | - |

(c)

| Accounts | Names of related parties | | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|---|---|
| Contract liabilities－current | Adalvo Limited | $ | 83,047 | 62,192 | 107,586 |
| | Other related parties | | - | - | 746 |
| | | $ | **83,047** | **62,192** | **108,332** |

(d) As described in note 1, the Company acquired the distribution rights to two ANDA filings (Buprenorphine/Naloxone and Budesonide) in the United States from the Alvogen Group and recorded the assets at the Alvogen Group's book value at the date of acquisition. Total costs incurred by the Group related to the two products from the date of acquisition through June 30, 2021 amounted to USD 3,197 thousand ($96,057). In January 2019, Buprenorphine/Naloxone was approved by the FDA and the Company launched the product for sale in the United States in February 2019. Total revenue from the sales of Buprenorphine/Naloxone since its launch amounted to $8,372,228. In 2019, Budesonide was fully impaired during the annual impairment review, impairment loss of $28,039 was recognized.

Furthermore, the Company acquired the distribution rights from the Alvogen Group to sell two monoclonal antibody molecules to certain Asian markets, excluding Japan. In 2020, the Company terminated the agreement for one of the products and accepted a third party developed replacement product and compensation payment of USD 2,750 thousand ($81,061) in cash from Alvogen EMH; see note 6(16). For another product, the Company divested its distribution rights in several markets to third party customers and receives milestone and royalty payments through out-licensing arrangements; total revenue recognized since the execution of the out-licensing agreements amounted to USD 3,060 thousand ($87,207).

(4) Key management personnel compensation

| | For the three months ended June 30, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| Short-term employee benefits | $ | 33,127 | 17,481 | 46,625 | 27,479 |
| Share-based payments | | 8,113 | 2,638 | 16,226 | 2,638 |
| | $ | **41,240** | **20,119** | **62,851** | **30,117** |

## 8. Pledged assets

As of June 30, 2021, December 31 and June 30, 2020, the following assets and the entire shares of Alvogen Korea were pledged as collaterals:

The carrying amounts of pledged assets were as follows:

| Asset | Purpose of pledge | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|---|
| Bank demand deposits (classified as other current assets) | Long-term borrowings | $ 81,224 | 101,592 | 117,477 |
| Bank demand deposits (classified as other non-current assets) | Compensation balances | 11,250 | 41,250 | 39,000 |
| Bank demand deposits (classified as other non-current assets) | Long-term borrowings | - | - | 29,430 |
| Bank demand deposits (classified as other non-current assets) | Deposit for drug application, performance guarantee and customs, etc. | 4,219 | 21,351 | 20,675 |
| Land | Long-term borrowings | 634,599 | 652,684 | 632,540 |
| Buildings and plant equipment | Long-term borrowings | 809,127 | 91,660 | 468,838 |
| Machinery equipment | Long-term borrowings | 119,342 | 141,239 | 152,191 |
| | | $ 1,659,761 | 1,049,776 | 1,460,151 |

In addition, as of June 30, 2021, December 31 and June 30, 2020, the entire shares of Lotus International Pte. Ltd. and the intellectual property rights related to Buprenorphine/Naloxone were pledged as collaterals to secure the Company's bank loan facility. The bank accounts of Lotus International Pte. Ltd. were also pledged by a floating charge.

## 9. Commitments and contingencies

(1) The Company had entered into an agreement to buy machines, as well as buildings and plant equipment for $308,263, wherein the amount of $111,282 has yet to be paid as of June 30, 2021.

(2) The Company had entered into clinical trials collaborative agreements, which required the Company to pay the amount of $59,891, with $11,978 payable within one year, and the remaining amount of $47,913 is payable in installments based on the progress of clinical trials as of June 30, 2021.

(3) On May 12, 2021, the Company was informed of the resolution by the Fair Trade Commission ("FTC") in Taiwan on incompliance of the exclusive out-licensing agreement entered into between the Company and TTY Biopharm Company Limited for product Furil Capsules "LOTUS" used in the treatment of colorectal cancer with the Taiwanese competition laws; as a result, the FTC imposed a fine of $65,000 on the Company. In the second quarter of 2021, the Company deposited the full amount of fine and presented in other non-current assets. The Company retained legal counsel and initiated litigation in July 2021 through administrative legal procedures before Taipei High Administrative Court; the case is in progress. The Company believes that the aforementioned business arrangement was implemented in a legally compliant manner and intends to pursue available legal remedies to defend the Company's interests.

(4) As of June 30, 2021, the Company was involved in the following lawsuits:

| Plaintiff | Defendant | Cause of Action | Status |
|---|---|---|---|
| Indivior Inc, Indivior UK Ltd., Aquestive Therapeutics Inc. | Alvogen Pine Brook LLC (refer to Note 1 below) | Buprenorphine / Naloxone patent infringement | Only one claim is under trial and others are found non-infringement and overruled (refer to Note 2 below) |

Note 1: The Company is the owner of the intellectual property rights to the product in the United States. The Company appointed Alvogen Pine Brook LLC as its agent and attorney-in-fact with respect to the litigation in the United States concerning the product.

Note 2: The Company does not expect the matter to have a material impact on its business and financial condition and operations.

(5) As of June 30, 2021, the Company's subsidiaries in Korea had the following commitments:

(Amounts in thousands of New Taiwan Dollars and U.S. Dollars)

| Significant Commitment | Contract Amount | Financial Institution |
|---|---|---|
| Letter of credit | USD 1,500<br>(NTD 41,892) | Woori Bank |

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

**11. Subsequent events: None.**

## 12. Other

(1) A summary of employee benefits, depreciation and amortization expenses, by function, was as follows:

| By function / By item | For the three months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 131,476 | 260,770 | 392,246 | 122,344 | 261,779 | 384,123 |
| Labor and health insurance | 4,045 | 5,443 | 9,488 | 3,089 | 4,937 | 8,026 |
| Pension | 11,974 | 24,132 | 36,106 | 9,932 | 24,049 | 33,981 |
| Others | 15,453 | 51,187 | 66,640 | 12,838 | 37,513 | 50,351 |
| Depreciation (Note) | 35,130 | 26,178 | 61,308 | 32,647 | 28,200 | 60,847 |
| Amortization | 1,670 | 126,957 | 128,627 | 400 | 112,279 | 112,679 |

| By function / By item | For the six months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 269,826 | 511,862 | 781,688 | 247,885 | 510,747 | 758,632 |
| Labor and health insurance | 8,085 | 10,493 | 18,578 | 5,832 | 9,507 | 15,339 |
| Pension | 24,222 | 57,198 | 81,420 | 22,496 | 51,615 | 74,111 |
| Others | 29,029 | 209,817 | 238,846 | 26,205 | 70,774 | 96,979 |
| Depreciation (Note) | 69,452 | 52,630 | 122,082 | 66,351 | 57,606 | 123,957 |
| Amortization | 3,268 | 254,344 | 257,612 | 800 | 214,836 | 215,636 |

Note: The amounts of depreciation recognized in capitalization of development expenses for the three months and six months ended June 30, 2021 and 2020 were $0, $15, $0 and $43, respectively.

(2) Seasonality of operations

The Group’s operations were not affected by seasonality or cyclicality factors.

## 13. Other disclosures

(1) Information on significant transactions:

The following is the information on significant transactions required by the Regulations for the Group for the six months ended June 30, 2021:

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: Please refer to Table 1.

C. Securities held as of June 30, 2021 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 2.

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

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

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

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 3.

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 4.

I. Trading in derivative instruments: None.

J. Business relationships and significant intercompany transactions: Please refer to Table 5.

(2) Information on investees: Please refer to Table 6.

(3) Information on investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 7.

B. Limitation on investment in Mainland China: Please refer to Table 7.

C. Significant transactions: None.

(4) Major shareholders:

| Shareholding / Shareholder's Name | Shares | Percentage |
|---|---|---|
| Alvogen EMH | 151,100,000 | 57.48 % |
| Innobic LL Holding Company Limited | 17,517,348 | 6.66 % |

## 14. Segment information

(1) Operating segment information and reconciliation

The Group's operating segment information and reconciliation were as follows:

| | For the three months ended June 30, 2021 | | | |
|---|---|---|---|---|
| | **Drug Manufacturing Department** | **Other** | **Elimination** | **Total** |
| Sales: | | | | |
| Revenue from external customers | $ 3,443,814 | 20,303 | - | 3,464,117 |
| Intersegment revenues | - | 15,632 | (15,632) | - |
| Total revenue | **$ 3,443,814** | **35,935** | **(15,632)** | **3,464,117** |
| Operating income (loss) | **$ 612,904** | **(6,594)** | **(1,333)** | **604,977** |
| Reportable segment assets | **$ 21,668,713** | **494,030** | **(643,033)** | $ 21,519,710 |
| Investment accounted for using equity method | | | | - |
| Total assets | | | | **$ 21,519,710** |

| | For the three months ended June 30, 2020 | | | |
|---|---|---|---|---|
| | **Drug Manufacturing Department** | **Other** | **Elimination** | **Total** |
| Sales: | | | | |
| Revenue from external customers | $ 2,651,371 | 25,542 | - | 2,676,913 |
| Intersegment revenues | - | 30,282 | (30,282) | - |
| Total revenue | **$ 2,651,371** | **55,824** | **(30,282)** | **2,676,913** |
| Operating income | **$ 415,407** | **876** | **-** | **416,283** |
| Reportable segment assets | **$ 18,105,198** | **609,333** | **(626,832)** | $ 18,087,699 |
| Investment accounted for using equity method | | | | 13,431 |
| Total assets | | | | **$ 18,101,130** |

| | For the six months ended June 30, 2021 | | | |
|---|---|---|---|---|
| | **Drug Manufacturing Department** | **Other** | **Elimination** | **Total** |
| Sales: | | | | |
| Revenue from external customers | $ 6,743,634 | 44,872 | - | 6,788,506 |
| Intersegment revenues | - | 44,756 | (44,756) | - |
| Total revenue | **$ 6,743,634** | **89,628** | **(44,756)** | **6,788,506** |
| Operating income (loss) | **$ 1,336,446** | **(15,666)** | **(1,587)** | **1,319,193** |
| Reportable segment assets | **$ 21,668,713** | **494,030** | **(643,033)** | $ 21,519,710 |
| Investment accounted for using equity method | | | | - |
| Total assets | | | | **$ 21,519,710** |

| | For the six months ended June 30, 2020 | | | |
|---|---|---|---|---|
| | **Drug Manufacturing Department** | **Other** | **Elimination** | **Total** |
| Sales: | | | | |
| Revenue from external customers | $ 4,639,122 | 72,224 | - | 4,711,346 |
| Intersegment revenues | - | 35,413 | (35,413) | - |
| Total revenue | **$ 4,639,122** | **107,637** | **(35,413)** | **4,711,346** |
| Operating income | **$ 712,219** | **12,154** | **-** | **724,373** |
| Reportable segment assets | **$ 18,105,198** | **609,333** | **(626,832)** | $ 18,087,699 |
| Investment accounted for using equity method | | | | 13,431 |
| Total assets | | | | **$ 18,101,130** |

**Lotus Pharmaceutical Co., Ltd. and Subsidiaries**
**Guarantees and endorsements for other parties**
**For the six months ended June 30, 2021**

Table 1 (Amounts in Thousands)

| No. (Note 1) | Endorsement/ Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3) | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowable | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship (Note 2) | | | | | | | | | | |
| 1 | Lotus International Pte. Ltd. | The Company | 3 | 1,926,531 | 1,830,000 | 1,830,000 | 1,738,500 | Note 4 | 17.14 % | 1,926,531 | N | Y | N |

Note 1: The numbers denote the following:
(1) The issuer is number 0.
(2) Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:
1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50 % of the voting shares in the company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. For entities who are guaranteed and endorsed by all capital contributing shareholders in proportion to each of their shareholder's percentage.
7. Performance guarantee in which entities within the same industry provide among themselves joint and several securities by entering into sales agreement with each other for pre- construction project pursuant to Consumer Protection Act.

Note 3: It was according to 350% of the Lotus International Pte. Ltd.'s audited equity as of the latest period.

Note 4: The bank accounts of Lotus International Pte. Ltd. were pledged by a floating charge.

## Lotus Pharmaceutical Co., Ltd. and Subsidiaries

## Securities held as of June 30, 2021 (excluding investment in subsidiaries, associates and joint ventures)

## June 30, 2021

Table 2 (Shares in Thousands/ Amounts in Thousands)

| Company Names | Marketable Securities Types and Names | Relationship with the Company | Financial Statement Accounts | Ending Balance | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Amount | Percentages of Ownership | Fair Value | |
| The Company | International Green Solution, Inc. | - | Financial asset at fair value through profit and loss | 2 | - | 0.07 % | - | |
| Alvogen Korea | Korea Pharmaceutical Industry Cooperative | - | Other non-current assets | 65 shares | 1,558 | 0.65 % | 1,558 | Note |
| Lotus Japan Holdings Co., Ltd. | Fuji Pharma Co., Ltd. | - | Financial asset at fair value through other comprehensive income - non-current | 1,219 | 355,331 | 3.91 % | 355,331 | |

Note: The securities had no quoted market prices, thus, the Group listed their investment net value as of June 30, 2021.

## Lotus Pharmaceutical Co., Ltd. and Subsidiaries

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

## For the six months ended June 30, 2021

Table 3 (Amounts in Thousands)

| Company Names | Related Parties | Nature of Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sales | Amounts | Percentages of Total Purchases/Sales | Payment Terms | Unit Price | Payment Terms | Ending Balance | Percentage of Total Notes/Accounts Receivable (Payable) | |
| The Company | Alvogen Inc. | Other related party | Sales | 2,562,925 | 37.75% | 120 days | - | - | 2,097,719 | 53.26% | |
| The Company | Alvogen Inc. | Other related party | Purchase | 1,038,653 | 23.54% | 120 days | - | - | (427,112) | 35.87% | |
| The Company | Adalvo Limited | Other related party | Sales | 632,636 | 9.32% | 90 days | - | - | 598,658 | 15.20% | |

## Lotus Pharmaceutical Co., Ltd. and Subsidiaries

## Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock

## June 30, 2021

Table 4 (Amounts in Thousands)

| Company Names | Related Parties | Nature of Relationship | Ending Balance | Turnover Rates | Overdue | | Amounts Received in Subsequent Period (Note) | Expected Credit Loss Allowance |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action Taken | | |
| The Company | Alvogen Inc. | Other related party | 2,097,719 | 2.86 | 333,662 | Collection in subsequent period | 333,662 | - |
| The Company | Adalvo Limited | Other related party | 598,658 | 3.51 | - | | 20,625 | - |

Note: Until the end of July 2021.

**Lotus Pharmaceutical Co., Ltd. and Subsidiaries**

**Business relationships and significant intercompany transactions**

**For the six months ended June 30, 2021**

Table 5 (Amounts in Thousands)

| No. (Note 1) | Company Names | Counterparties | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Items | Amounts | Trading Terms | Percentages of the Consolidated Net Revenue or Total Assets (Note 4) |
| 0 | The Company | Alvogen Korea Holdings | 1 | Investment accounted for using equity method | (880,598) | (Note 3) | (4.09)% |
| 0 | The Company | Alvogen Korea | 1 | Purchase | 122,446 | (Note 3) | 1.80 % |
| 0 | The Company | Lotus International Pte. Ltd. | 1 | Purchase | 111,292 | (Note 3) | 1.64 % |
| 1 | Alvogen Korea Holdings | Alvogen Korea | 2 | Investment accounted for using equity method | (880,717) | (Note 3) | (4.09)% |
| 2 | Lotus International Pte. Ltd. | Alvogen Korea | 2 | Net revenue | 108,959 | (Note 3) | 1.61 % |

Note 1: The characters of business transactions between the parent company and its subsidiaries are coded as follows:

(1) The parent company is number 0.

(2) Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: The nature of relationship is as follows:

(1) represents parent company to subsidiary

(2) represents subsidiary to subsidiary

Note 3: The intercompany transaction terms are determined in accordance with mutual agreements.

Note 4: Other transactions with the amount less than 1% of the consolidated net revenue or total assets were not disclosed.

# Lotus Pharmaceutical Co., Ltd. and Subsidiaries
## Information on investees (excluding information on investees in Mainland China)
## For the six months ended June 30, 2021

Table 6

(Shares in Thousands)
(Amounts in Thousands)

| Investor Companies | Investee Companies | Locations | Main Businesses and Products | Original Investment Amounts | | Balance as of June 30, 2021 | | | Net Income (Losses) of Investee | Investment Income (Losses) | Notes (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | June 30, 2021 | December 31, 2020 | Shares | Percentages of Ownership | Carrying Amount | | | |
| The Company | Lotus International Pte. Ltd. | Singapore | Investment business and sale of medicine | 612,358 | 612,358 | 20,600 | 100.00 % | 477,672 | 8,897 | (11,358) | |
| The Company | Lotus Pharmaceutical, HK Ltd. | Hong Kong | Data collection and agent services in Hong Kong | HKD 250 | HKD 250 | 250 | 18.73 % | (2,981) | (14,366) | (2,690) | |
| The Company | Lotus Jonson Biotech Limited | Taiwan | Cosmetics wholesale, medicine retail, clinical machine retail, international trade industry, biotech technological services, and related consulting services | 1,100 | 1,100 | - | 100.00 % | 92 | 27 | 27 | |
| The Company | Alvogen Korea Holdings | Korea | Investment business | USD 135,032 | USD 165,902 | 1,192 | 100.00 % | 1,675,558 | 39,196 | 62,227 | Note 2 |
| The Company | Alvogen India | India | Investment business | USD 9,950 | USD 9,950 | 512 | 100.00 % | 104,217 | (2,046) | (3,633) | Note 2 |
| The Company | Lotus Japan Holdings Co., Ltd. | Japan | Sale of medicine, clinical machine retail | 623,647 | 623,647 | - | 100.00 % | 357,482 | 2,926 | 2,926 | |
| The Company | Alvogen (Thailand) Ltd. | Thailand | Sale of pharmaceuticals and medicinal chemical products | USD 131 | USD 131 | 40 | 3.81 % | 2,430 | 4,764 | 183 | |
| The Company | Avos Pharma Science Co., Ltd. | Taiwan | Biotech technological services, clinical machine retail and related consulting services | 100 | 100 | - | 100.00 % | (70) | (104) | (104) | |
| Lotus International Pte. Ltd. | Lotus Support Services SRL | Romania | Pharmaceutical regulatory affairs project management services | 3,010 | 3,010 | 44 | 100.00 % | 4,326 | 90 | 90 | |
| Lotus International Pte. Ltd. | Alvogen (Thailand) Ltd. | Thailand | Sale of pharmaceuticals and medicinal chemical products | USD 3,154 | USD 3,154 | 1,000 | 96.15 % | 61,753 | 4,764 | 354 | |
| Lotus International Pte. Ltd. | Lotus Alvogen Malta Ltd. | Malta | Sale of pharmaceuticals and medicinal chemical products and related consulting services | EUR 42 | EUR 2 | 42 | 100.00 % | 1,398 | (8,633) | (8,633) | |

| Investor Companies | Investee Companies | Locations | Main Businesses and Products | Original Investment Amounts June 30, 2021 | Original Investment Amounts December 31, 2020 | Balance as of June 30, 2021 Shares | Balance as of June 30, 2021 Percentages of Ownership | Balance as of June 30, 2021 Carrying Amount | Net Income (Losses) of Investee | Investment Income (Losses) | Notes (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Lotus International Pte. Ltd. | Lotus Pharmaceutical, HK Ltd. | Hong Kong | Data collection and agent services in Hong Kong | HKD 1,085 | HKD 1,085 | 1,085 | 81.27 % | (12,938) | (14,366) | (11,676) | |
| Lotus International Pte. Ltd. | Lotus Healthcare Malaysia Sdn. Bhd. | Malaysia | Marketing activities and healthcare consultancy | MYR 1 | - | 1 | 100.00 % | 7 | - | - | |
| Lotus Pharmaceutical, HK Ltd. | Alvogen (Thailand) Ltd. | Thailand | Sale of pharmaceuticals and medicinal chemical products | USD 1 | USD 1 | - | 0.04 % | 27 | 4,764 | 2 | |

Note 1: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Note 2: The main financial statements of the Company’s subsidiary Alvogen Korea Holdings and Alvogen India are their consolidated financial statements.

**Lotus Pharmaceutical Co., Ltd. and Subsidiaries**
**Information on investment in Mainland China**
**For the six months ended June 30, 2021**

Table 7 (Amounts in Thousands)

(1) The names of investees in Mainland China, the main businesses and products, and other information

| Investee Companies | Main Businesses and Products | Total Amounts of Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of June 30, 2021 | Net Income (Losses) of the Investee | Percentages of Ownership | Investment Income (Losses) | Carrying Amount | Accumulated Inward Remittance of Earnings as of June 30, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited (Note 2) | Consultation on health management, health technology, trading information, market planning, and business information | 911 | (Note 1) | 911 | - | - | 911 | 1,701 | 100.00% | 1,701 | (584) | - |
| Lotus Biotech (Shanghai) Limited (Note 3) | Consulting on health technology, chemical drugs, chemical reagents, biotech technology, and biotech production | 20,100 | (Note 1) | 20,100 | - | - | 20,100 | - | - | - | - | - |

(2) Limitation on investment in Mainland China

| Accumulated Investment in Mainland China as of June 30, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment (Note 4) |
|---|---|---|
| 21,011 | 21,011 | 6,406,518 |

Note 1: Reinvestment in Mainland China through another investee in a third area.
Note 2: The investment amount has been approved by the Investment Commission, MOEA No. 10700074190.
Note 3: The investment amount has been approved by the Investment Commission, MOEA No. 092031304 and No. 09500181300. Lotus Biotech (Shanghai) Limited has been divested in 2017, with the approval of the Investment Commission, MOEA No. 10800070030.
Note 4: The amount limit is in accordance with No. 006130 issued by the Ministry of Finance on November 16, 2001 and No. 09704604680 issued by the Investment Commission, MOEA on August 29, 2008.