Stock Code:6496

EXCELSIOR BIOPHARMA INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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The independent auditors' 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'report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Excelsior Biopharma Inc. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endosed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Excelsior Biopharma Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Excelsior Biopharma Inc.

Chairman: Chen Tse Ming

Date: February 11, 2020

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Independent Auditors' Report

To the Board of Directors of Excelsior Biopharma Inc.:

Opinion

We have audited the consolidated financial statements of Excelsior Biopharma Inc. (the "Company") and its subsidiaries (collectively referred to as the "Consolidated Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Internationals developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Consolidated Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As stated in Note 3(a) to the consolidated financial statements, the Consolidated Company has initially adopted the IFRS 16, "Leases" commencing January 1, 2019 and applied the modified retrospective approach with no restatement of comparative period amounts. Our conclusion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of trade receivable

   Please refer to note 4(g), note 5, and note 6(d) for the disclosures related to impairment of trade receivable of the consolidated financial statements.

   Description of key audit matter:

   The notes receivable and accounts receivable constituted 28% of the total consolidated assets of the Consolidated Company as of December 31, 2019, and the impairment of notes and accounts receivable depend on the evaluation of the management based on the evidence of internal and external factors, both subjective and objective. Therefore, we consider it as a key audit matter.

   How the matter was addressed in our audit:

   Obtaining the report on notes and accounts receivable, and confirming the notes and accounts receivable by issuing notifications; obtaining the calculation of impairment loss rate for notes and accounts receivable, and examining its accuracy of calculation; obtaining the ageing report of notes and accounts receivable, sampling and examining the relevant documents to ensure the accounts are properly categorized by periods, as well as reviewing whether the allowance of impairment for notes and accounts receivable were recognized based on loss rate. Evaluating whether the allowance of impairment for notes and accounts receivable and impairment losses are reasonably recognized by the Consolidated Company. Obtaining the documents regarding the allowance of impairment for notes and accounts receivable in order to verify whether they are in compliance with the Consolidated Company's accounting policies; reviewing whether the disclosure of impairment on trade receivable made by the management is appropriate.

2. Inventory measurement

   Please refer to note 4(h), note 5 and 6(f) for the disclosures related to inventory measurement of the consolidated financial statements.

   Description of key audit matter:

   The inventories of the Consolidated Company are measured at the lower of cost and net realizable value due to the rapid development in the research study on pharmaceutical industry and the advance of new pharmaceutical products which may significantly change the market demand leading to product expiration and obsolescence, resulting in the cost of inventory to be higher than the net realizable value. Therefore, we consider it as a key audit matter.

   How the matter was addressed in our audit:

   Obtaining the report on net realizable value of inventories in order to assess their reasonability; understanding the selling prices for inventory valuation after the reporting date and sampling proof of transactions to assess their reasonableness; conducting and analyzing the inventory ageing report to ensure they are properly categorized by periods; monitoring the inventory write downs and gains from price fluctuation for the past 3 years to evaluate the appropriateness of the inventory measurement conducted by the management. Obtaining the documents regarding the inventory measurement in order to verify whether they are in compliance with the Consolidated Company's accounting policies; reviewing whether the disclosure of inventory measurement made by the management is appropriate.

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Other Matter

Excelsior Biopharma Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the supervisors) are responsible for overseeing the Consolidated Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Consolidated Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Yuan-Sheng Yin and Ya-Ling Chen.

KPMG

Taipei, Taiwan (Republic of China)
February 11, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' 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'report and consolidated financial statements, the Chinese version shall prevail.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 349,398	23	751,106	46
1150	Notes receivable, net (note 6(d))	6,927	-	5,207	-
1170	Accounts receivable, net (note 6(d))	414,481	28	322,345	20
1200	Other receivable (note 6(e))	70	-	185	-
1220	Current income tax assets	8,409	1	-	-
130x	Inventories (note 6(f))	416,360	28	360,326	22
1476	Other financial assets—current (notes 6(c) and 8)	-	-	10,799	-
1479	Other current assets	3,484	-	3,786	-
	Total current assets	1,199,129	80	1,453,754	88
	Non-current assets:				
1517	Financial assets measured at fair value through other comprehensive income—non-current (note 6(b))	27,450	2	30,497	2
1600	Property, plant and equipment (notes 6(g) and 8)	137,113	9	135,300	8
1755	Right-of-use assets (note 6(h))	83,561	5	-	-
1780	Intangible assets (note 6(i))	98	-	111	-
1840	Deferred tax assets (note 6(n))	13,104	1	13,264	1
1920	Refundable deposits	27,411	2	11,198	1
1980	Other financial assets—non-current (note 6(c))	11,011	1	-	-
	Total non-current assets	299,748	20	190,370	12
	Total assets	$ 1,498,877	100	1,644,124	100

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2151	Notes payable	7,293	-	9,976	-
2152	Other notes payable	13,489	1	3,545	-
2170	Accounts payable	30,905	2	82,453	5
2200	Other payables (notes 6(m) and (r))	78,356	5	107,353	7
2230	Current tax liabilities	1,928	-	38,589	2
2280	Lease liabilities—current (note 6(k))	9,874	1	-	-
2300	Other current liabilities	18,034	1	17,990	1
	Total current liabilities	159,879	10	259,906	15
	Non-Current liabilities:				
2580	Lease liabilities—non-current (note 6(k))	75,143	5	-	-
2640	Net defined benefit liability (note 6(m))	9,039	1	10,976	1
	Total non-current liabilities	84,182	6	10,976	1
	Total liabilities	244,061	16	270,882	16
	Equity attributable to shareholders of the Company (notes 6(m) and (o)):				
3110	Common stock	466,670	31	466,670	28
3200	Capital surplus	252,084	17	298,751	18
	Retained earnings:				
3310	Legal reserve	162,910	11	140,727	9
3320	Special reserve	1,503	-	-	-
3350	Unappropriated earnings	376,199	25	468,597	29
		540,612	36	609,324	38
	Other equity:				
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(4,550)	-	(1,503)	-
	Total equity	1,254,816	84	1,373,242	84
	Total liabilities and equity	$ 1,498,877	100	1,644,124	100

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(q))**	$ 1,540,064	100	1,689,124	100
5000	**Operating costs (notes 6(f), (g), (h), (k), (l) and (m))**	1,186,479	77	1,103,395	65
5910	**Gross profit**	353,585	23	585,729	35
6000	**Operating expenses (notes 6(d), (g), (h), (i), (k), (l), (m), (r) and 7):**				
6100	Selling expenses	122,222	8	147,261	9
6200	Administrative expenses	95,022	6	117,112	7
6300	Research and development expenses	51,524	3	39,436	2
6450	Reversal of impairment for expected credit loss	(982)	-	(166)	-
	Total operating expenses	267,786	17	303,643	18
6900	**Net operating income**	85,799	6	282,086	17
7000	**Non-operating income and expenses (notes 6(k) and (s)):**				
7010	Other income	5,990	-	3,477	-
7020	Other gains and losses	1,273	-	734	-
7050	Finance costs	(1,244)	-	(376)	-
	Total non-operating income and expenses	6,019	-	3,835	-
	Net income before tax	91,818	6	285,921	17
7950	**Less: income tax expenses (note 6(n))**	20,806	1	64,094	4
	Net income	71,012	5	221,827	13
8300	**Other comprehensive income (loss) (note 6(m)):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	277	-	(232)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3,047)	-	(1,503)	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
	Total items that will not be reclassified to profit or loss	(2,770)	-	(1,735)	-
8300	**Other comprehensive income (loss), net of tax**	(2,770)	-	(1,735)	-
8500	**Total comprehensive income**	$ **68,242**	**5**	**220,092**	**13**
9750	**Basic earnings per share (expressed in New Taiwan dollars) (note 6(p))**	$	**1.52**		**4.75**
9850	**Diluted earnings per share (expressed in New Taiwan dollars) (note 6(p))**	$	**1.52**		**4.71**

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the Company							
			Retained earnings					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2018	$ 466,670	345,418	112,759	-	414,971	527,730	-	1,339,818
Appropriation and distributions:								
Legal reserve	-	-	27,968	-	(27,968)	-	-	-
Cash dividends	-	-	-	-	(140,001)	(140,001)	-	(140,001)
Cash dividends from capital surplus	-	(46,667)	-	-	-	-	-	(46,667)
Net income for the year	-	-	-	-	221,827	221,827	-	221,827
Other comprehensive income for the year	-	-	-	-	(232)	(232)	(1,503)	(1,735)
Total comprehensive income for the year	-	-	-	-	221,595	221,595	(1,503)	220,092
Balance at December 31, 2018	466,670	298,751	140,727	-	468,597	609,324	(1,503)	1,373,242
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	22,183	-	(22,183)	-	-	-
Special reserve appropriated	-	-	-	1,503	(1,503)	-	-	-
Cash dividends	-	-	-	-	(140,001)	(140,001)	-	(140,001)
Cash dividends from capital surplus	-	(46,667)	-	-	-	-	-	(46,667)
Net income for the year	-	-	-	-	71,012	71,012	-	71,012
Other comprehensive income for the year	-	-	-	-	277	277	(3,047)	(2,770)
Total comprehensive income for the year	-	-	-	-	71,289	71,289	(3,047)	68,242
Balance at December 31, 2019	$ 466,670	252,084	162,910	1,503	376,199	540,612	(4,550)	1,254,816

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		2019	2018
Cash flows from operating activities:			
Income before tax	$	91,818	285,921
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		28,565	25,445
Amortization expense		13	14
Reversal of impairment for expected credit loss		(982)	(166)
Interest expense		1,244	376
Interest income		(854)	(975)
Gain on disposal of property, plant and equipment		(44)	(104)
Total adjustments to reconcile profit and loss		27,942	24,590
Changes in operating assets and liabilities relating:			
Net changes in operating assets:			
Notes receivable		(1,720)	166
Accounts receivable		(91,154)	17,653
Other receivables		(2)	1
Inventories		(56,034)	(111,503)
Other current assets		302	1,752
Total net changes in operating assets		(148,608)	(91,931)
Net changes in operating liabilities:			
Notes payable (included other notes payable)		7,261	(7,914)
Accounts payable		(51,548)	(18,617)
Other payables		(28,997)	(2,396)
Other current liabilities		44	709
Net defined benefit liability－non-current		(1,660)	(1,845)
Total net changes in operating liabilities		(74,900)	(30,063)
Total net changes in operating assets and liabilities		(223,508)	(121,994)
Total adjustments		(195,566)	(97,404)
Cash inflow (out flow) generated from operations		(103,748)	188,517
Interest income received		971	858
Interest paid		(1,244)	(376)
Income tax paid		(65,716)	(62,079)
Net cash flows (used in) from operating activities		(169,737)	126,920
Cash flows from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		-	(32,000)
Acquisition of property, plant and equipment		(20,373)	(9,543)
Proceeds from disposal of property, plant and equipment		87	104
(Increase) decrease in refundable deposits		(16,213)	9,308
(Increase) decrease in other financial assets－ non-current		(212)	34
Net cash flows used in investing activities		(36,711)	(32,097)
Cash flows from financing activities::			
Increase in short-term loans		-	25,000
Decrease in short-term loans		-	(65,000)
Payment of lease liabilities		(8,592)	-
Cash dividends paid		(186,668)	(186,668)
Net cash flows used in financing activities		(195,260)	(226,668)
Net decrease in cash and cash equivalents		(401,708)	(131,845)
Cash and cash equivalents at beginning of period		751,106	882,951
Cash and cash equivalents at end of period	$	349,398	751,106

See accompanying notes to the consolidated financial statements.

(expressed in thousands of New Taiwan dollars unless otherwise stated)

(1) Organization

EXCELSIOR BIOPHARMA INC. (the "Company") was incorporated on July 1, 1988 as a company limited by shares under the laws of the Republic of China (ROC). The consolidated entities in the consolidated financial statements include the Company and its subsidiaries (the "Consolidated Company"). The Consolidated Company's major business includes:

(a) Western medicines

(b) Importing and exporting of Active Pharmaceutical Ingredients

(c) Food

(d) Cosmeceuticals and development of cosmetics (excluded toxicity)

(e) Research, importing and exporting of technologies

(f) Pharmaceutical technologies transfer and cooperative development and improvement

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were approved and authorized for issue by the board of directors on February 11, 2020.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

In preparing the accompanying consolidated financial statements, the Consolidated Company has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations that have been issued by the International Accounting Standards Board ("IASB") (collectively, "IFRSs") and endorsed by the FSC, with effective date from January 1, 2019. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except IFRS 16"Leases", the Consolidated Company believes that the adoption of abovementioned standards or interpretations would not have any material impact on its consolidated financial statements. The extent and impact of are as follows:

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Consolidated Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized at the date of initial application. The details of the changes in accounting policies are disclosed below:

(i) Definition of a lease

Previously, the Consolidated Company determined, at contract inception, whether an arrangement is, or contains, a lease under IFRIC 4. Under IFRS 16, the Consolidated Company assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in note 4(j) of the Consolidated Company's accounting policies.

On transition to IFRS 16, the Consolidated Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Consolidated Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into, or changed on, after, January 1, 2019.

(ii) As a lessee

As a lessee, the Consolidated Company previously classified leases as operating or finance leases based on its assessment on whether the lease transferred significantly all of the risks and rewards incidental to ownership on the underlying asset to the Consolidated Company. Under IFRS 16, the Consolidated Company recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded in the balance sheet.

The Consolidated Company decided to apply the recognition exemptions to the short-term or low-value leases of its office equipment and leases of office space.

At transition, lease liabilities recognized for leases previously classified as an operating lease under IAS 17, were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Right-of-use assets were measured at an amount either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Consolidated Company applies to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Consolidated Company applies to all other lease.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In addition, the Consolidated Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize the right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) Impacts on financial statements

On transition to IFRS 16, the Consolidated Company recognized its right-of-use assets and lease liabilities amounting to $86,333 thousands at the date of initial application. When measuring lease liabilities, the Consolidated Company discounted lease payments using its incremental borrowing rate at January 1, 2019, wherein the weighted-average rate applied is 1.428%.

An explanation of the differences between the operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and the lease liabilities recognized in the statement of financial position at the date of initial application disclosed, is as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the consolidated financial statements	$ 32,119
Recognition exemption for:	
short-term leases	(675)
leases of low-value assets	(116)
Extension and termination options reasonably certain to be exercised	61,606
	$ 92,934
Discounted using the incremental borrowing rate at January 1, 2019	$ 86,333
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	$ 86,333

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Consolidated Company assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Consolidated Company 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 Consolidated Company completes its evaluation.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

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

(Continued)

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except otherwise specified in the notes to accounting policies.

(ii) Functional and presentation currency

The functional currency of a Consolidated Company entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Consolidated Company. The Consolidated Company 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Consolidated Company attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Consolidated Company prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Consolidated Company will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

			Percentage of ownership		
Name of investor	**Name of subsidiary**	**Main activities**	**December 31, 2019**	**December 31, 2018**	**Remarks**
EXCELSIOR BIOPHARMA INC.	Ke Jin Phamaceutical Co., Ltd. (Ke Jin)	Manufacture , inspection and research and development of western Medicine	100.00 %	100.00 %	

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(e) Classification of current and non-current assets and liabilities

(i) An asset is classified as current under one of the following criteria, and all other assets are classified as non－current.

1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

2) It is held primarily for the purpose of trading;

3) It is expected to be realized within twelve months after the reporting period; or

4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non－current.

1) It is expected to be settled in the normal operating cycle;

2) It is held primarily for the purpose of trading;

3) It is due to be settled within twelve months after the reporting period; or

4) The Consolidated Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) — equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Consolidated Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Consolidated Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

Dividend income is recognized in profit or loss on the date on which the Consolidated Company's right to receive payment is established.

3) Impairment of financial assets

The Consolidated Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

The Consolidated Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for notes and accounts receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Consolidated Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Consolidated Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

The Consolidated Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Consolidated Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Consolidated Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Consolidated Company in accordance with the contract and the cash flows that the Consolidated Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

At each reporting date, the Consolidated Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Consolidated Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Consolidated Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Consolidated Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Consolidated Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Consolidated Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Consolidated Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities

1) Other financial liabilities

Other financial liabilities are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

2) Derecognition of financial liabilities

The Consolidated Company derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expired. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Consolidated Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

The Consolidated Company's cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Company.

(Continued)

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment, for current and comparative periods are as follows:

Buildings	50 years
Office equipment	1~10 years
Research and development equipment	5~10 years
Transportation	5 years
Machinery	2~10 years
Other equipment	1~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

Policy applicable commencing January 1, 2019

(i) Identifying a lease

At inception of a contract, the Consolidated Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Consolidated Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Consolidated Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(Continued)

3) the Consolidated Company has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used. In rare cases where the decision about how, and for what purpose, the asset is used is predetermined, the Consolidated Company has the right to direct the use of an asset if either:

- the Consolidated Company has the right to operate the asset; or
- the Consolidated Company designed the asset in a way that predetermines how, and for what purpose, it will be used.

At inception or on reassessment of a contract that contains a lease component, the Consolidated Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a leasee

The Consolidated Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined the Consolidated Company' s incremental borrowing rate. Generally, the Consolidated Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Consolidated Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Consolidated Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Consolidated Company presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Consolidated Company has elected not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of its low-value assets, including its transportation and office space. The Consolidated Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>Policy applicable before January 1, 2019</u>

Leases are operating leases and are not recognized in the Consolidated Company's statement of financial position. Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Intangible assets

The intangible assets is the royalty of distribution rights to medicine and be measured at cost, less accumulated amortization and any accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of five and ten years.

(l) Impairment of non-financial assets

At each reporting date, the Consolidated Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue

Revenue is measured based on the consideration to which the Consolidated Company expects to be entitled in exchange for transferring goods or services to a customer. The Consolidated Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Consolidated Company' s main types of revenue are explained below.

(i) Sale of goods

The Consolidated Company's major business includes western medicines, importing and exporting of active pharmaceutical ingredients. The Consolidated Company recognizes revenue when control of the goods has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed, or the Consolidated Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Consolidated Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Consolidated Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Consolidated Company does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Consolidated Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Consolidated Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Consolidated Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Consolidated Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Consolidated Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized expect for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Consolidated Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Consolidated Company discloses the Company' s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Employee bonuses are settled by issuing shares that are yet to be approved at the shareholder's meeting.

(r) Segment information

An operating segment is a component of the Consolidated Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Company). Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the IFRSs 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

(Continued)

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of accounts receivable

The Consolidated Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Consolidated Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. For the relevant assumptions and input values, please refer to note 6(d).

(b) Inventory measurment

Since inventories are measured at the lower of cost and net realizable value, the Consolidated Company evaluated its inventories based on the expiration and price adjustment of its pharmaceutical products then write down their costs to net realizable value at the end of the reporting date. Please refer to note 6(f) for the inventory measurement.

(6) Description of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 311	243
Demand deposits	321,948	723,461
Checking deposits	319	582
Time deposits	26,820	26,820
Cash and cash equivalents per consolidated statements of cash flows	$ **349,398**	**751,106**

Please refer to note 6(t) for the disclosure of the interest rate risks and the sensitivity analysis of the Consolidated Company's financial assets and liabilities.

Please refer to note 6(c) for the disclosure of the Consolidated Company's time deposits with a maturity of three months and above one year were recorded under other financial assets — current and other financial assets — non-current.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets measured at fair value through other comprehensive income—non-current

	December 31, 2019	December 31, 2018
Equity investment measured at fair value through other comprehensive income:		
Stocks listed on domestic markets	$ 27,450	-
Stocks unlisted on domestic markets	-	30,497
	$ 27,450	30,497

(i) Equity investments measured at fair value through other comprehensive income

The Consolidated Company held equity instrument investment, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

For the year ended December 31, 2019, the Consolidated Company did not dispose the aforementioned equity investment, and there was no transfer of any cumulative gain or loss within equity relating to these investments.

(ii) For the information of credit risk and market risk, please refer to note 6(t).

(iii) The aforesaid equity investment was not pledged as collateral.

(c) Other financial assets

	December 31, 2019	December 31, 2018
Current:		
Bank's time deposits	$ -	10,799
Non-current:		
Bank's time deposits	11,011	-
Total	$ 11,011	10,799

As of December 31, 2019, the Consolidated Company did not pledge its other financial assets as collateral. As of December 31, 2018, the Consolidated Company pledged its other financial assets as collateral, please refer to note 8.

(d) Notes receivable and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 6,927	5,207
Accounts receivable—measured as amortized cost	415,544	324,414
Overdue receivable—measured as amortized cost	15	122
Less: Loss allowance (included overdue receivable)	1,078	2,191
	$ 421,408	327,552

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all notes receivable and accounts receivable. To measure the expected credit losses, notes receivable and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The Consolidated Company's loss allowance for expected credit losses of notes and accounts receivable was determined as follows:

	December 31, 2019		
	Gross carrying amount of notes and accounts receivable	**Weighted-average loss rate**	**Loss allowance for lifetime expected credit losses**
Not past due	$ 420,117	0.0425%	179
Past due 181~365 days	1,541	4.5915%	71
Past due over 365 days	828	100.00%	828
	$ **422,486**		**1,078**

	December 31, 2018		
	Gross carrying amount of notes and accounts receivable	**Weighted-average loss rate**	**Loss allowance for lifetime expected credit losses**
Not past due	$ 325,894	0.00%	-
Past due 181~365 days	3,838	56.79%	2,180
Past due over 365 days	11	100.00%	11
	$ **329,743**		**2,191**

The movement in the allowance for impairment with respect to notes and accounts receivable of the Consolidated Company was as follows:

	2019	**2018**
Balance at beginning of the period	$ 2,191	2,357
Impairment loss reversed	(982)	(166)
Amounts written off	(131)	-
Balance at end of the period	$ **1,078**	**2,191**

As of December 31, 2019 and 2018, the Consolidated Company did not provided its notes and accounts receivable as collateral or factored them for cash.

(e) Other receivables

	December 31, 2019	**December 31, 2018**
Other receivables	$ **70**	**185**

As of December 31, 2019 and 2018, the Consolidated Company had no other receivables that were past due. Therefore, no loss allowance for impairment were required after the management's assessment.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Inventories

	December 31, 2019	December 31, 2018
Merchandise	$ 374,253	320,660
Finished goods	2,364	3,116
Work in progress	3,782	2,651
Semi-finished products	1,726	818
Raw material	31,537	30,272
Materials	2,698	2,809
Total	$ **416,360**	**360,326**

Due to the decrease in the net realizable value of inventories, the Consolidated Company recognized the inventory pricing loss as cost of goods sold. The amounts were as follows:

	2019	2018
Loss on decline in market value of inventory	$ 401	4,616
Gain on physical inventory, net	(12)	(21)
Loss on scrapping of inventory	4,748	4,735
Loss on idle capacity	20,009	18,604
Total	$ **25,146**	**27,934**

As of December 31, 2019 and 2018, the Consolidated Company did not pledge its inventories as collateral.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Consolidated Company for the years ended December 31, 2019 and 2018 were as follows:

	Land	Buildings	Office equipment	Research and development equipment	Transportation equipment	Machinery equipment	Other equipment	Total
Cost or deemed cost:								
Balance at January 1, 2019	$ 37,261	72,748	33,707	20,343	564	101,630	18,815	285,068
Additions	-	-	9,341	5,980	-	2,579	2,473	20,373
Disposals	-	-	(226)	-	-	-	(13)	(239)
Reclassification	-	-	55	(55)	-	-	-	-
Balance at December 31, 2019	$ **37,261**	**72,748**	**42,877**	**26,268**	**564**	**104,209**	**21,275**	**305,202**
Balance at January 1, 2018	$ 37,261	72,748	32,587	18,375	564	94,540	18,282	274,357
Additions	-	-	1,470	1,968	-	5,572	533	9,543
Disposals	-	-	(350)	-	-	(78)	-	(428)
Reclassification	-	-	-	-	-	1,596	-	1,596
Balance at December 31, 2018	$ **37,261**	**72,748**	**33,707**	**20,343**	**564**	**101,630**	**18,815**	**285,068**

	Land	Buildings	Office equipment	Research and development equipment	Transportation equipment	Machinery equipment	Other equipment	Total
Depreciation:								
Balance at January 1, 2019	$ -	23,441	26,735	12,137	564	80,542	6,349	149,768
Depreciation	-	1,438	3,167	2,398	-	8,925	2,589	18,517
Disposal	-	-	(56)	-	-	-	(140)	(196)
Reclassification	-	-	144	(13)	-	-	(131)	-
Balance at December 31, 2019	$ -	24,879	29,990	14,522	564	89,467	8,667	168,089
Balance at January 1, 2018	$ -	22,002	23,883	9,341	564	65,056	3,905	124,751
Depreciation	-	1,439	3,202	2,796	-	15,564	2,444	25,445
Disposals	-	-	(350)	-	-	(78)	-	(428)
Balance at December 31, 2018	$ -	23,441	26,735	12,137	564	80,542	6,349	149,768
Carrying amount:								
Balance at December 31, 2019	$ 37,261	47,869	12,887	11,746	-	14,742	12,608	137,113
Balance at December 31, 2018	$ 37,261	49,307	6,972	8,206	-	21,088	12,466	135,300
Balance at January 1, 2018	$ 37,261	50,746	8,704	9,034	-	29,484	14,377	149,606

As of December 31, 2019 and 2018, the Consolidated Company pledged its property, plant and equipment as collateral for short-term loans, please refer to note 8.

(h) Right-of-use assets

The Consolidated Company leases assets including buildings. Information about leases, for which the Consolidated Company is the lessee, is presented below:

	Building
Cost:	
Balance at January 1, 2019	$ -
Effects of retrospective application	86,333
Balance at January 1, 2019	86,333
Additions	7,276
Balance at December 31, 2019	$ 93,609
Accumulated depreciation:	
Balance at January 1, 2019	$ -
Depreciation for the year	10,048
Balance at December 31, 2019	$ 10,048
Carrying amount:	
Balance at December 31, 2019	$ 83,561

The Consolidated Company leased factory and office space under operating leases for the year ended December 31, 2018, please refer to note 6(l).

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(i) Intangible assets

The cost and amortization of the intangible assets of the Consolidated Company for the years ended December 31, 2019 and 2018 were as follows:

	Royalty
Cost:	
Balance at December 31, 2019 (Balance at January 1, 2019)	$ 4,690
Balance at December 31, 2018 (Balance at January 1, 2018)	$ 4,690
Amortization:	
Balance at January 1, 2019	$ 4,579
Amortization for the year	13
Balance at December 31, 2019	$ 4,592
Balance at January 1, 2018	$ 4,565
Amortization for the year	14
Balance at December 31, 2018	$ 4,579
Carrying amount:	
Balance at December 31, 2019	$ 98
Balance at December 31, 2018	$ 111
Balance at January 1, 2018	$ 125

For the years ended December 31, 2019 and 2018, the amortization of intangible assets are recorded under operating expenses of the consolidated statements of comprehensive income.

(j) Short-term loans

For the years ended December 31, 2019 and 2018, the Consolidated Company did not use the bank's credit facilities.

As of December 31, 2019 and 2018, the unused credit facilities of the Consolidated Company's short-term loans amounted to $370,000 thousand.

The Consolidated Company pledged its assets as collateral of loans, please refer to note 8.

(k) Lease liabilities

The carrying amounts of lease liabilities for the Consolidated Company were as follows:

	December 31, 2019
Current	$ 9,874
Non-current	$ 75,143

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

The amounts recognized in profit or loss was as follows:

	2019
Interest on lease liabilities	$ 1,244
Expenses relating to short-term leases	$ 643
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 1,671

The amount recognized in the statement of cash flows for the Consolidated Company was as follows:

	2019
Total cash outflow for leases	$ 12,150

(i) Real estate leases

As of December 31, 2019, the Consolidated Company leases buildings for its office space and factory. The leases of its office space and factory typically run for a period of 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Consolidated Company also leases office equipment and office with lease terms of one year. These leases are short-term or leases of low-value items. The Consolidated Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(l) Operating leases

As of December 31, 2018, the Consolidated Company's non-cancellable rental payables of operating lease was as follows:

	December 31, 2018
Less than one year	$ 9,614
Between two and five years	22,505
	$ 32,119

The Consolidated Company leases factory facilities, office and parking space under operating leases. The leases typically run for a period of 3 to 5 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract.

For the year ended December 31, 2018, operating lease recognized in profit or loss was $10,490 thousand.

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(m) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets for the Consolidated Company were as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$ 23,123	22,821
Fair value of plan assets	(14,084)	(11,845)
Net defined benefit liability	$ 9,039	10,976

The Consolidated Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Consolidated Company allocates pension funds in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Consolidated Company's Bank of Taiwan labor pension reserve account balance amounted to $14,084 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the Consolidated Company's defined benefit obligations for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Defined benefit obligation at January 1	$ 22,821	22,117
Current service costs and interest	201	243
Remeasurements of the net defined benefit liability		
—Actuarial losses arising from changes in demographic assumptions	(364)	14
—Actuarial losses arising from changes in financial assumptions	465	447
Defined benefit obligation at December 31	$ 23,123	22,821

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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3) Movements in fair value of plan assets

The movements in the fair value of the Consolidated Company's plan assets for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Fair value of plan assets at January 1	$ 11,845	9,528
Interest income	128	131
Remeasurements of the net defined benefit liability and asset		
—The return on plan assets (excluding current interest income)	378	229
Contributions paid by the employer	1,733	1,957
Fair value of plan assets at December 31	$ 14,084	11,845

4) Expenses recognized in profit or loss

The Consolidated Company's expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Net interest on the defined benefit liability	$ 73	112

	2019	2018
Selling expenses	$ 45	69
Administration expenses	26	39
Research and development expenses	2	4
	$ 73	112

5) Remeasurement of the net defined benefit liability recognized in other comprehensive income

The Consolidated Company's remeasurements of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cumulative amount at January 1	$ 2,515	2,747
Recognized during the period	277	(232)
Cumulative amount at December 31	$ 2,792	2,515

(Continued)

6) Actuarial assumptions

The Consolidated Company's assumptions used on calculating the present value of the defined benefit obligation at reporting date were as follows:

	2019.12.31	2018.12.31
Discount rate	0.75 %	1.00 %
Future salary increases rate	2.25 %	2.25 %

The expected contribution to be made by the Consolidated Company to the defined benefit plans in the next year starting from the reporting date of 2019 is $1,748 thousand.

The weighted average duration of the defined benefit plan is 9.20 years.

7) Sensitivity analysis

As of December 31, 2019 and 2018, the effect of changes in actuarial assumptions on the present value of the defined benefit obligations were as follows:

	The impact of defined benefit obligation	
	Increase	**Decrease**
December 31, 2019		
Discount rate (changes 0.25%)	$ (464)	483
Future salary increase rate (changes 0.25%)	467	(452)
December 31, 2018		
Discount rate (changes 0.25%)	(510)	530
Future salary increase rate (changes 0.25%)	515	(498)

The above sensitivity analysis is based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability is the same.

The method used for sensitivity analysis for this year is the same as the method used in the previous year.

(ii) Defined contribution plans

The Consolidated Company contributes an amount equal to 6% of the employee's monthly. The Consolidated Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Consolidated Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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The Consolidated Company's pension costs under the defined contribution method were $6,987 thousand and $7,956 thousand for the years ended December 31, 2019 and 2018, respectively. Payments were made to the Bureau of Labor Insurance.

(iii) Short-term employee benefit

	December 31, 2019	December 31, 2018
Compensated absence liabilities (recorded under other payables)	$ 2,067	2,067

(n) Income taxes

(i) Income tax expense

The amount of the Consolidated Company's income tax for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Current tax expense		
Current period	$ 18,228	53,757
Surtax on unappropriated retained earnings	2,297	11,113
Adjustment for prior periods	121	(1,444)
	20,646	63,426
Deferred tax expense		
Origination and reversal of temporary differences	160	3,126
Adjustment in tax rate	-	(2,458)
	160	668
Income tax expenses from continuing operations	$ 20,806	64,094

The Consolidated Company had not recognized income tax in equity and other comprehensive income for the years ended December 31, 2019 and 2018.

Reconciliations of the Consolidated Company's income tax expense and income before tax for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Income before tax	$ 91,818	285,921
Income tax using the Company's domestic tax rate	$ 18,364	57,184
Adjustment in tax rate	-	(2,458)
(Over) under estimated of prior year's income tax	121	(1,444)
Surtax on unappropriated retained earnings	2,297	11,113
Under estimated of prior year's deferred tax assets	24	4,046
Current-year losses for which no deferred tax asset was recognized	-	(4,347)
Income tax expense	$ 20,806	64,094

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets

1) Recognized deferred tax assets

Changes in the amount of recognized deferred tax assets for the years ended December 31, 2019 and 2018 were as follows:

	Allowance for inventory devaluation loss	Loss carry-forwards	Unrealized loss from inter-affiliated accounts	Defined benefit plans	Unrealized from sale returns and discounts	Others	Total
Balance at January 1, 2019	$ 716	2,601	4,676	2,195	3,076	-	13,264
Recognized in profit or loss	78	(2,601)	2,160	(387)	590	-	(160)
Balance at December 31, 2019	$ 794	-	6,836	1,808	3,666	-	13,104
Balance at January 1, 2018	$ 391	2,826	3,138	2,140	5,437	-	13,932
Recognized in profit or loss	325	(225)	1,538	55	(2,361)	-	(668)
Balance at December 31, 2018	$ 716	2,601	4,676	2,195	3,076	-	13,264

(iii) Examination and approval

The ROC income tax authorities have examined the income tax returns of the Company and its subsidiaries through 2017.

(o) Share capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the Company issued 80,000 thousand nominal ordinary shares, with a par value of $10 per share, totaling $800,000 thousand; of which, 46,667 thousand common stocks were outstanding. All issued shares were paid upon issuance.

(ii) Capital surplus

The balances of the Company's capital surplus were as follows:

	December 31, 2019	December 31, 2018
Paid-in capital in excess of par value	$ 251,009	297,676
Employee share options	1,075	1,075
	$ 252,084	**298,751**

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(iii) Retained earnings

1) Legal reserve

In accordance with the ROC Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special earnings reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of earnings

According to the Company's Articles of Incorporation, when allocating the net profits for each fiscal year, the Company should first pay income tax, offset its prior years' losses, and appropriate 10% of net income to legal reserve. Legal reserve should be appropriated until the reserve equals to the Company's paid-in capital. The remainder, if necessary, is subject to special reserve, and any remaining profit together with any undistributed retained earnings shall then be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company's Articles of Incorporation, the Company's dividend policy will consider its operating environment, steady profitability, sufficiency of its cash for future expansion, financial plan and the balance of dividends. The Company stipulated a dividend policy that at least 10% of the total dividend should be distributed by cash.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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The appropriations of 2018 and 2017 earnings and capital surplus as dividends approved by the Company's shareholders in its meetings held on May 24, 2019, and May 29, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share (NT dollars)	Total Amount	Amount per share (NT dollars)	Total Amount
Dividends distributed to common stockholders:				
Cash－Retained earrings	$ 3.00	140,001	3.00	140,001
Cash－Capital surplus	1.00	46,667	1.00	46,667
Total		$ 186,668		186,668

(p) Earnings per share

The calculation of the Company's basic and diluted earnings per share for the years ended December 31, 2019 and 2018 were as follows:

(i) Basic EPS

	2019	2018
Net income attributable to common shareholders of the Company	$ 71,012	221,827
Weighted-average number of common shares outstanding (thousand shares)	46,667	46,667
Basic EPS (New Taiwan dollars)	$ 1.52	4.75

(ii) Diluted EPS

	2019	2018
Net income attributable to common shareholders of the Company	$ 71,012	221,827
Weighted-average number of common shares outstanding (thousand shares)	46,667	46,667
Influence of potentially dilutive shares－		
Remuneration to employees	184	406
Weighted-average number of shares outstanding－diluted (thousand shares)	46,851	47,073
Diluted EPS (New Taiwan dollars)	$ 1.52	4.71

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(q) Revenue from contracts with customers

(i) Disaggregation of revenue

		2019	2018
Primary geographical markets:			
Taiwan	$	1,540,064	1,689,124
Primary merchandises lines:			
Western medicines	$	1,540,064	1,689,124

(ii) Contract balances

		December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable	$	415,559	324,536	342,189
Less: loss allowance		1,078	2,191	2,357
Total	$	414,481	322,345	339,832

For the details of disclosure on accounts receivable and allowance for impairment, please refer to note 6(d).

(r) Remuneration to employees, directors and supervisors

In accordance with the Company's articles of incorporation, the Company should contribute no less than 3% of profit as employee remuneration and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2019 and 2018, the Company estimated the remuneration to employee amounting to $4,748 thousand and $15,540 thousand, respectively, and directors and supervisors amounting to $2,849 thousand and $9,324 thousand, respectively. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association, and expensed under operating expenses during 2019 and 2018. The related information mentioned above can be accessed on the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(s) Non-operating income and expenses

(i) Other income

The details of the Consolidated Company's other income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest income	$ 854	444
Other income — other	5,136	4,918
Total other income	$ 5,990	3,477

(ii) Other gains and losses

The details of the Consolidated Company's other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Gain on disposal of property, plant and equipment	$ 44	104
Net on foreign exchange gain	1,229	641
Other gains and losses	-	(11)
Net on other gains and losses	1,273	734

(iii) Finance costs

The details of the Consolidated Company's finance costs for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest expense of bank loans	$ -	376
Others	1,244	-
Net on finance costs	$ 1,244	376

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2019 and 2018, the maximum amount exposed to credit risk amounted to $836,748 thousand and $1,131,337 thousand, respectively.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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2) Concentration of credit risk

Approximately, 70% and 62%, of the Consolidated Company's notes and accounts receivable were there major customers as of December 31, 2019 and 2018, respectively. The Consolidated Company manages the total amount of transaction between customers and periodically evaluates their financial positions, thus, the Consolidated Company believes that cash do not have a significant credit risk concentration.

3) Credit risk of receivables and other financial assets at amortized cost

For the information of credit risk exposure for notes and accounts receivable, please refer to note 6(d).

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 losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(ii) Liquidity risk

The following table showed 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	1-2 years	2-5 years	Over 5 years
December 31, 2019							
Non-derivative financial liabilities							
Notes payable	$	7,293	7,293	7,293	-	-	-
Other notes payable		13,489	13,489	13,489	-	-	-
Accounts payable		30,905	30,905	30,905	-	-	-
Other payables		25,974	25,974	25,974	-	-	-
Lease liabilities		85,017	90,138	11,028	-	39,952	39,158
	$	**162,678**	**167,799**	**88,689**	**-**	**39,952**	**39,158**
December 31, 2018							
Non-derivative financial liabilities							
Notes payable	$	9,976	9,976	9,976	-	-	-
Other notes payable		3,545	3,545	3,545	-	-	-
Accounts payable		82,453	82,453	82,453	-	-	-
Other payables		30,410	30,410	30,410	-	-	-
	$	**126,384**	**126,384**	**126,384**	**-**	**-**	**-**

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(iii) Currency risk

1) Currency risk exposure

The Consolidated Company's financial assets and liabilities exposure to significant foreign currency risk were as follows:

		Foreign currency	Exchange rate	NTD
December 31, 2019				
Financial assets:				
Monetary items:				
USD	$	317	29.980	9,501
Financial liabilities:				
Monetary items:				
USD	$	380	29.980	11,388
EUR	$	235	33.590	7,885
CHF	$	207	30.925	6,396
December 31, 2018				
Financial liabilities:				
Monetary items:				
USD	$	2,205	30.715	67,711
EUR	$	356	35.200	12,546
CHF	$	58	31.185	1,811

2) Sensitivity analysis

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on account payables that are denominated in foreign currency. A weakening or strengthening 1% appreciation or depreciation of the NTD against the USD, EUR and CHF for the years ended December 31, 2019 and 2018, would have increased or decreased the net profit after tax by $129 thousand and $657 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains and losses on monetary items

Due to the numerous types of functional currency of the Consolidated Company, the Consolidated Company disclose its exchange gains and losses of monetary items aggregately. The Consolidated Company's foreign exchange gain, including realized and unrealized, were $1,229 thousand and $641 thousand for the years ended December 31, 2019 and 2018, respectively.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(iv) Interest rate analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Consolidated Company's financial assets and liabilities.

There is no significant impact on the Consolidated Company's net income for the years ended December 31, 2019 and 2018 with variable interest rates.

(v) Fair value information

1) Categories and fair value of financial instruments

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 Consolidated Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks on listed domestic markets	$ 27,450	27,450	-	-	27,450
Subtotal	27,450	27,450	-	-	27,450
Financial assets measured at amortized cost					
Cash and cash equivalents	349,398	-	-	-	-
Notes and accounts receivable and other receivables	421,478	-	-	-	-
Other financial assets －non-current	11,011	-	-	-	-
Refundable deposits	27,411	-	-	-	-
Total	$ **836,748**	**27,450**	-	-	**27,450**
Financial liabilities measured at amortized cost					
Notes payable	$ 7,293	-	-	-	-
Other notes payable	13,489	-	-	-	-
Accounts payable	30,905	-	-	-	-
Other payables	25,974	-	-	-	-
Lease liabilities	85,017	-	-	-	-
Total	$ **162,678**	-	-	-	-

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks on unlisted domestic markets	$ 30,497	-	-	30,497	30,497
Subtotal	30,497	-	-	30,497	30,497
Financial assets measured at amortized cost					
Cash and cash equivalents	751,106	-	-	-	-
Notes and accounts receivable and other receivables	327,737	-	-	-	-
Other financial assets — current	10,799	-	-	-	-
Refundable deposits	11,198	-	-	-	-
Total	$ 1,131,337	-	-	30,497	30,497
Financial liabilities measured at amortized cost					
Notes payable	$ 9,976	-	-	-	-
Other notes payable	3,545	-	-	-	-
Accounts payable	82,453	-	-	-	-
Other payables	30,410	-	-	-	-
Total	$ 126,384	-	-	-	-

2) Valuation techniques and assumptions used in fair value determination — Non-derivative financial instruments

If the quoted prices in active markets are available, the market price is established as the fair value. The market prices amounted by Securities Exchange and Over the Counter are the benchmarks of the fair value of equity instruments and liability instruments trading in active markets. The Consolidated Company's stocks of listed and OTC companies are financial assets possessing standard provision and trading in active markets. Their fair values are determined based on the market quotes.

When the financial instrument of the Consolidated Company is not traded in an active market, its fair value is determined based on the ratio of the quoted market price of the comparative listed company, and the main assumption for the model basis of both the net equity value of the equity of the investee and the equity multiplier derived from the quoted market price of the comparative listed company. The estimated adjustments of the fair value is discounted for its lack of liquidity in the market.

3) Fair value hierarchy

The Consolidated Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the years ended December 31, 2019 and 2018.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instruments	**Bond investments**
Balance at January 1, 2019	$ 30,497	-
Transfers out of Level 3	(30,497)	-
Balance at December 31, 2019	$ -	-

The Consolidated Company holds an investment in equity shares of EirGenix, Inc., which is classified as fair value through other comprehensive income, with the fair values of $27,450 thousand and $30,497 thousand at December 31, 2019 and 2018, respectively. The fair values of the investment were categorized as Level 3 at December 31, 2018. This was because the shares were not listed on the stock exchange market and there were no recent observable arm' s length transactions in the shares. As at June 28, 2019, EirGenix, Inc. listed its equity shares Over the Counter and currently, they are actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was then transferred from Level 3 to Level 1 of the fair value hierarchy at June 30, 2019.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company law at 20%	· PB ratio (As of December 31, 2018 was 2.34) · PE ratio (As of December 31, 2018 was 6.92) · Market illiquidity discount rate (As of December 31, 2018 was 20%)	The estimated fair value would increase (decrease) if · the PB ratio were higher (lower) · the PE ratio were higher (lower) · the market illiquidity discount were lower (higher)

7) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

The Consolidated Company's fair value measurements of financial assets was reasonably. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Input	Assumptions	Other comprehensive income	
			Favorable	Unfavorable
December 31, 2018				
Financial assets measured at fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	10%	1,001	(1,001)

The favorable and unfavorable effects of the Consolidated Company represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Financial risk management

(i) Overview

The Consolidated Company has exposure to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses information about the Consolidated Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective note in the accompanying consolidated financial statements.

(ii) Risk management framework

The Board of Directors of the Consolidated Company is full responsible for the establishment and management of the Consolidated Company's risk management framework and policies. Management is responsible for developing and monitoring the Consolidated Company's risk management policies and report regularly to the Board of Directors on its activities.

The Consolidated Company's risk management policies are established to identify and analyze the risks faced by the Consolidated Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Company's activities. The Consolidated Company, through its training and procedures, aims to develop a disciplined and constructive control environment in which related employees understand their roles and obligations.

The Consolidated Company's Board of Directors oversees how management monitors compliance with the Consolidated Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Company. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(Continued)

(iii) Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Company's receivables from customers.

1) Account and other receivables

The Consolidated Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, and these factors may have an influence on credit risk. However, management also considers the demographics of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances.

The Consolidated Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Consolidated Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Consolidated Company's benchmark creditworthiness may transact with the Consolidated Company only on a prepayment basis.

2) Investments

The credit risk exposure in the bank deposits are measured and monitored by the Consolidated Company's finance department. Since those who transact with the Consolidated Company are banks and other external parties with good credit standing and financial institutions with a credit rating above investment grade, there are no non-compliance issues.

Hence, there is no significant credit risk.

3) Guarantees

The Consolidated Company's policy allows it to provide financial guarantees to companies which it has business relationship with, as well as those companies who hold more than 50% of the voting rights of the consolidated company, either directly or indirectly. Financial guarantees to subsidiaries provided by the Company as of December 31, 2019 and 2018, please refer to note 13. the Consolidated Company did not provide any endorsement and guarantees to preparation of the third-party.

(iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation.

(Continued)

The Consolidated Company aims to maintain the level of its cash and cash equivalents at an amount in excess of the expected cash flows on operating expenses and financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2019 and 2018, the Consolidated Company has unused short-term bank facilities of $370,000 thousand.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Consolidated Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Consolidated Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Consolidated Company's entities, primarily the USD, EUR and CHF.

The interest is denominated in the currency used in the loans. Generally, loans are denominated in currencies that match the cash flows generated by the underlying operations of the Consolidated Company, primarily the NTD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Consolidated Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Consolidated Company's loans are liabilities which are affected by the fluctuation of interest rates. Accordingly, changes in market rate would affect the effective interest rate and the future cash flow to alter. However, it is not significant variation in the future cash flow if there is no significant change in market rate.

(v) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and other equity interest of the Consolidated Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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The Company's debt-to-capital ratio at the end of the reporting period were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 244,061	270,882
Less: cash and cash equivalents	349,398	751,106
Net debt	$ (105,337)	(480,224)
Total equity	$ 1,254,816	1,373,242
Debt-to-capital ratio	- %	- %

As of December 31, 2019, there was no changes in the Consolidated Company's approach of capital management.

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Consolidated Company.

(b) Management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 14,719	17,417

(8) Pledged assets

The carrying amounts of the assets which the Consolidated Company as collateral were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Restricted deposit (recorded under other financial assets－current)			
Time deposits	Bid Bond in hospital	$ -	10,799
Property, plant and equipment			
Land	Short-term loans	13,902	13,902
Buildings	Short-term loans	22,662	23,184
		$ 36,564	47,885

(9) Significant commitments and contingencies: None.

(10) Significant losses from calamity: None.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(11) Significant subsequent events: None.

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By nature	Year ended December 31 2019			Year ended December 31 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	21,920	123,037	144,957	21,463	155,103	176,566
Labor and health insurance	1,970	10,309	12,279	1,803	11,528	13,331
Pension	1,130	5,930	7,060	1,101	6,967	8,068
Directors' remuneration	-	3,279	3,279	-	10,031	10,031
Others	729	4,888	5,617	735	5,456	6,191
Depreciation	12,652	15,913	28,565	16,268	9,177	25,445
Amortization	-	13	13	-	14	14

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Consolidated Company for the year ended December 31, 2019:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

Unit: thousands of New Taiwan dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party (Note 2)	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements (Note 2)	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company (Note 1)										
0	The Company	Ke Jin Pharmaceutical Co., Ltd.	2	376,445	105,000	105,000	-	-	8.37 %	1,254,816	Y	N	N

Note 1: The guarantee's relationship with the guarantor is as follows:

(1) A company with which it does business

(2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public 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) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages

(7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 2: The total amount of guarantee provided by the Company and its subsidiaries shall not exceed the Company's net worth. The total amount of guarantee provided by the Company to any individual entity shall not exceed 30% of the Company's net worth

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousands of New Taiwan dollars / thousand of shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2016	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	Stocks: EirGenix, Inc.	None	Financial assets measured at fair value through other comprehensive income	1,000	27,450	0.59 %	27,450	30,497	

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

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

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

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

Unit: thousands of New Taiwan dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	Ke Jin Pharmaceutical Co., Ltd	Subsidiary	Purchase	180,925	14 %	Note 1	-	Note 1	(27,666)	(50) %	Note 2

Note 1: The terms of payment is not significantly different from those to third parties.

Note 2: The transaction has already been written off in the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount (Notes 3 and 5)	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Cost of goods sold	170,129 (note 4)	No significant differences from third parties	11.05%
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Research and development	8,930	No significant differences from third parties	0.58 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Accounts payable	27,666	No significant differences from third parties	1.85 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Inventories	34,179	No significant differences from third parties	2.28 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Lease liabilities	16,279	No significant differences from third parties	1.09 %
1	Ke Jin Pharmaceutical Co., Ltd	The Company	2	Lease income	1,667	No significant differences from third parties	0.11 %

Note 1: Company numbering is as follows:
(1) Parent company - 0.
(2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:
(1) 1 represents downstream transactions.
(2) 2 represents upstream transactions.
(3) 3 represents sidestream transactions.

Note 3: For balance sheet items, over 0.1% of total consolidated assets, and for profit or loss items, over 0.1% of total consolidated revenues were selected for disclosure.

Note 4: In included the amount of cost of goods sold $180,925 thousand and unrealized gain from inter-affiliated accounts $(10,796) thousand.

Note 5: The transactions have already been written off in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Unit: thousands of New Taiwan dollars / thousand shares

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2016	Net income of investee (Note 1)	Investment income (losses) (Notes 1 and 3)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Book value (Note 1)				
The Company	Ke Jin Pharmaceutical Co., Ltd	Taiwan	Manufacture, inspection and research and development of western Medicine	160,711	160,711	16,500	100 00 %	139,948	160,711	17,819	7,195	Subsidiary (Note 2)

Note 1: The transaction has already been written off in the consolidated financial statements

Note 2: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: It included the amount of share of profit of associates accounted for under equity method $17,819 thousand, unrealized gain from inter-affiliate account $(10,796) thousand and others $172 thousand

(c) Information on investment in mainland China: None.

(14) Segment information:

(a) General information

The Consolidated Company is mainly engaging in western medicines, importing and exporting of Active Pharmaceutical Ingredients, research of technologies, pharmaceutical technologies transfer and cooperative development and improvement.

Management reviews the Consolidated Company's overall performance regularly to evaluate the performance of each segment and allocate its resource accordingly, because of single industry, the Consolidated Company is identified as a sole operating segment.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(b) Geographical information

The Consolidated Company does not have foreign segment.

(c) Information about major customers

There were major customers whose revenue was more than 10% of operating revenue of the Consolidated Company for the years ended December 31, 2019 and 2018 were as follows:

	2019		2018	
Name of Customer	**Amount**	**%**	**Amount**	**%**
A Company	$ 540,353	35	610,576	36
B Company	156,999	10	246,038	15
Total	$ **697,352**	**45**	**856,614**	**51**