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PRESTIGE BIOPHARMA LIMITED AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

For the financial year ended June 30, 2020

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

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PRESTIGE BIOPHARMA LIMITED
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

For the financial years ended June 30, 2020

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

PRESTIGE BIOPHARMA LIMITED
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial years ended June 30, 2020

Contents

Prestige Biopharma Limited and its subsidiaries
Directors' Statement
For the financial year ended June 30, 2020

The directors present their statement to the members together with the audited consolidated financial statements of the Group for the financial year ended June 30, 2020 and statement of financial position and statement of changes in equity of the Company as at June 30, 2020.

In the opinion of the directors,

(a) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 6 to 75 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at June 30, 2020, the financial performance and cash flows of the Group, and the changes in equity of the Company and of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Park Soyeon	
Kim Michael Jinwoo	
Tan Tin Yong	(resigned on 26 May 2020)
Oh Seung Joo	(appointed on 17 January 2020)
Bang Kue Ho	(appointed on 17 January 2020)
Lee Eui Kyung	(appointed on 9 April 2020)
Lee Kok Fatt	(appointed on 9 April 2020)
Jeon Kyunghee	(appointed on 9 April 2020)
Tay Lai Wat	(appointed on 26 May 2020)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 30.6.2020	At 1.7.2019 or date of appointment, if later	**At 30.6.2020**	At 1.7.2019 or date of appointment, If later
Prestige Biopharma Limited				
(No. of ordinary shares)				
Park Soyeon	1,957,445	1,541,967	2,519,135	2,519,135
Kim Michael Jinwoo	1,901,890	1,541,967	2,519,135	2,519,135
Tan Ting Yong	-	15,000	-	-

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Soyeon Park	Michael J Kim
Park Soyeon	Kim Michael Jinwoo
Director	Director

3 November 2020

Independent Auditor's Report to the Members of Prestige Biopharma Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Prestige Biopharma Limited ("the Company") and its subsidiaries ("the Group") and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at June 30, 2020, the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended June 30, 2020;
- the consolidated statement of financial position of the Group as at June 30, 2020;
- the statement of financial position of the Company as at June 30, 2020;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the statement of changes in equity of the Company for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs 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 financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

We communicate with the directors 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 3 November 2020

Prestige Biopharma Limited and its subsidiaries
Consolidated Statement of Comprehensive Income
For the financial year ended June 30, 2020

(in USD)	**Notes**	**2020** $	**2019** $ (restated)
Revenue	23	-	1,840,000
Other income			
-Finance income	27	437,440	191,150
-Others	26	1,206,274	141,334
		1,643,714	2,172,484
Other (losses)/gains			
-Impairment losses on financial assets	4.1.2	(1,689,486)	-
-Others	24	(3,159,680)	2,436,787
		(4,849,166)	2,436,787
Expenses by nature			
-Research and development		(2,327,184)	(1,530,343)
-Expenses in relation to collaboration agreement		(160,000)	(160,000)
-Wages and salaries	25	(2,724,348)	(1,505,764)
-Legal and professional		(1,726,293)	(794,707)
-Depreciation	12	(991,029)	(505,293)
-Rental on operating leases		(83,405)	(376,236)
-Advertising and promotion expenses		(113,763)	(108,075)
-Travel expenses		(344,044)	(305,975)
-Other employee benefits		(79,997)	(60,427)
-Freight		(107,478)	(7,906)
-Others		(597,294)	(364,481)
Total expenses		(9,254,835)	(5,719,207)
Loss before income tax		(12,460,287)	(1,109,936)
Income tax expense	18	(82,358)	(165,012)
Loss for the year		(12,542,645)	(1,274,948)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences	21	105,958	97,889
Other comprehensive income for the year, net of tax		105,958	97,889
Total comprehensive loss for the year		(12,436,687)	(1,177,059)
Total comprehensive loss attributable to owners		(12,436,687)	(1,177,059)
Basic losses per share	30	(1.47)	(0.16)
Diluted losses per share	30	(1.47)	(0.16)

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Limited and its subsidiaries
Consolidated Statement of Financial Position
As at June 30, 2020

(in USD)	**Notes**	**June 30, 2020** $	**June 30, 2019** $ (restated)
Assets			
Current assets			
Cash and cash equivalents	7	38,291,197	8,510,349
Other assets	10	2,271,998	931,022
Trade and other receivables	9	922,088	8,190,000
		41,485,283	17,631,371
Non-current assets			
Property, plant and equipment	12	3,763,403	904,507
Intangible assets	14	79,129,417	59,123,769
Financial asset at fair value through profit or loss	8	7,536,265	8,037,931
Trade and other receivables	9	-	2,154,853
Other assets	10	1,422,920	1,285,562
		91,852,005	71,506,622
Total assets		133,337,288	89,137,993
Liabilities			
Current liabilities			
Trade and other payables	15	6,497,446	12,188,783
Borrowings	16	369,647	16,617,728
Contract liabilities	23	-	1,763,076
Deferred income	19	192,801	-
Financial liability at fair value through profit or loss	17	-	437,800
		7,059,894	31,007,387
Non-current liabilities			
Borrowings	16	2,027,647	41,673
Contract liabilities	23	7,650,000	7,686,924
Deferred income	19	1,833,814	-
Trade and other payables	15	-	8,211
		11,511,461	7,736,808
Total liabilities		18,571,355	38,744,195
Equity			
Share capital	20	127,241,958	53,198,489
Capital contribution	21	5,549,899	2,784,546
Translation reserve	21	205,724	99,766
Accumulated losses	22	(18,231,648)	(5,689,003)
Total equity attributable to equity holders of the Company		114,765,933	50,393,798
Total liabilities and equity		133,337,288	89,137,993

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Limited and its subsidiaries
Statement of Financial Position - Company
As at June 30, 2020

(in USD)	**Notes**	**June 30, 2020** $	**June 30, 2019** $ (restated)
Assets			
Current assets			
Cash and cash equivalents	7	37,812,239	7,753,758
Other assets	10	1,294,879	900,491
Trade and other receivables	9	920,000	8,190,000
		40,027,118	16,844,249
Non-current assets			
Property, plant and equipment	12	3,763,403	904,507
Intangible assets	14	73,581,226	56,400,227
Investment in subsidiaries	11	92,715	92,715
Financial asset at fair value through profit or loss	8	7,536,265	8,037,931
Trade and other receivables	9	4,870,734	5,429,741
Other assets	10	1,422,920	1,285,562
		91,267,263	72,150,683
Total assets		131,294,381	88,994,932
Liabilities			
Current liabilities			
Trade and other payables	15	6,219,429	12,142,703
Borrowings	16	369,647	16,617,728
Contract liabilities	23	-	1,763,076
Deferred income	19	192,801	-
Financial liability at fair value through profit or loss	17	-	437,800
		6,781,877	30,961,307
Non-current liabilities			
Borrowings	16	2,027,647	41,673
Contract liabilities	23	7,650,000	7,686,924
Trade and other payables	15	-	8,211
		9,677,647	7,736,808
Total liabilities		16,459,524	38,698,115
Equity			
Share capital	20	127,241,958	53,198,489
Capital contribution	21	5,549,899	2,784,546
Accumulated losses	22	(17,957,000)	(5,686,218)
Total equity attributable to equity holders of the Company		114,834,857	50,296,817
Total liabilities and equity		131,294,381	88,994,932

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Limited and its subsidiaries
Consolidated Statement of Changes in Equity
For the financial year ended June 30, 2020

(in USD)	Notes	Attributable to equity holders of the Group				
		Share capital	Capital contribution	Translation reserve	Accumulated losses	Total equity
		$	$	$	$	$
Balance at July 1, 2019		53,198,489	2,784,546	99,766	(5,689,003)	50,393,798
Loss for the year		-	-	-	(12,542,645)	(12,542,645)
Other comprehensive income						
Exchange differences		-	-	105,958	-	105,958
Total comprehensive loss for the year		-	-	105,958	(12,542,645)	(12,436,687)
Transactions with owners						
Gain on settlement of financial liability upon conversion to redeemable convertible preference shares	21	-	437,800	-	-	437,800
Waiver of interest from a shareholder	21	-	1,509,986	-	-	1,509,986
Waiver of amount due to shareholder	21	-	649,936	-	-	649,936
Redenomination of share capital	20	(167,631)	167,631	-	-	-
Conversion of redeemable convertible preference shares	20	74,211,100	-	-	-	74,211,100
Total transactions with owners		74,043,469	2,765,353	-	-	76,808,822
Balance at June 30, 2020		127,241,958	5,549,899	205,724	(18,231,648)	114,765,933

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Limited and its subsidiaries
Consolidated Statement of Changes in Equity
For the financial year ended June 30, 2020

(in USD)		Attributable to equity holders of the Group				
	Notes	Share capital $	Capital contribution $	Translation reserve $	Accumulated losses $	Total equity $
Balance at July 1, 2018		28,198,489	1,327,763	1,877	(4,414,055)	25,114,074
Loss for the year		-	-	-	(1,274,948)	(1,274,948)
Other comprehensive income						
Exchange differences		-	-	97,889	-	97,889
Total comprehensive loss for the year		-	-	97,889	(1,274,948)	(1,177,059)
Transactions with owners						
Conversion of convertible loan	20	25,000,000	-	-	-	25,000,000
Waiver of interest from a shareholder	21	-	1,456,783	-	-	1,456,783
Total transactions with owners		25,000,000	1,456,783	-	-	26,456,783
Balance at June 30, 2019		53,198,489	2,784,546	99,766	(5,689,003)	50,393,798

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Limited and its subsidiaries
Statement of Changes in Equity - Company
For the financial year ended June 30, 2020

(in USD)		Attributable to equity holders of the Company			
	Notes	Share capital $	Capital contribution $	Accumulated Losses $	Total equity $
Balance at July 1, 2019		53,198,489	2,784,546	(5,686,218)	50,296,817
Loss for the year, representing total comprehensive loss for the year		-	-	(12,270,782)	(12,270,782)
Transactions with owners					
Gain on settlement of financial liability upon conversion to redeemable convertible preference shares	21	-	437,800	-	437,800
Waiver of interest from a shareholder	21	-	1,509,986	-	1,509,986
Waiver of amount due to shareholder	21	-	649,936	-	649,936
Redenomination of share capital	20	(167,631)	167,631	-	-
Conversion of redeemable convertible preference shares	20	74,211,100	-	-	74,211,100
Total transactions with owners		74,043,469	2,765,353	-	76,808,822
Balance at June 30, 2020		127,241,958	5,549,899	(17,957,000)	114,834,857

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Limited and its subsidiaries
Statement of Changes in Equity - Company
For the financial year ended June 30, 2020

(in USD)	Notes	Attributable to equity holders of the Company			
		Share capital $	Capital contribution $	Accumulated Losses $	Total equity $
Balance at July 1, 2018		28,198,489	1,327,763	(4,401,067)	25,125,185
Loss for the year, representing total comprehensive loss for the year		-	-	(1,285,151)	(1,285,151)
Transactions with owners					
Conversion of convertible loan	20	25,000,000	-	-	25,000,000
Waiver of interest from a shareholder	21	-	1,456,783	-	1,456,783
Total transactions with owners		25,000,000	1,456,783	-	26,456,783
Balance at June 30, 2019		53,198,489	2,784,546	(5,686,218)	50,296,817

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Limited and its subsidiaries
Consolidated Statement of Cash Flows
For the financial year ended June 30, 2020

(in USD)	Notes	2020 $	2019 $
Cash flows from operating activities			
Loss before income tax		(12,460,287)	(1,109,936)
Adjustments for:			
Impairment loss on financial assets	4.1.2	1,689,486	-
Gain on conversion of redeemable convertible preference shares to ordinary shares		-	(1,513,132)
Fair value loss/(gain) on financial asset at fair value through profit or loss ("FVPL")	24	501,666	(1,080,005)
Fair value loss on financial liability at FVPL	24	-	41,400
Loss on revaluation of redeemable convertible preference shares	24	2,708,440	-
Depreciation	12	991,029	505,293
Finance income	27	(437,440)	(191,150)
Unrealised exchange (gain)/loss		101,683	86,706
Gain on disposal of right-of-use assets	24	(2,018)	-
Changes in working capital:			
Decrease/(increase) in trade and other receivables		8,244,687	(7,176,595)
Increase in other assets		(1,307,123)	(1,931,873)
(Decrease)/increase in contract liabilities		(1,800,000)	8,450,000
(Decrease)/increase in trade payables and other payables		(8,626,222)	7,255,381
Cash (used in)/generated from operations		(10,396,099)	3,336,089
Interest received		121,090	-
Withholding tax paid		(82,358)	(15,012)
Net cash (used in)/provided by operating activities		(10,357,367)	3,321,077
Cash flows from investing activities			
Additions to property, plant and equipment		(1,120,960)	(610,793)
Additions to intangible assets		(14,546,741)	(30,563,677)
Loan to director-related company		-	(1,963,703)
Interest payment of lease liabilities capitalised		(198,581)	-
Deferred income received		907,947	-
Additions to other assets		(183,265)	(9,635)
Net cash used in investing activities		(15,141,600)	(33,147,808)
Cash flows from financing activities			
Proceeds from borrowings		4,000,000	35,000,000
Proceeds from issuance of redeemable convertible preference shares		51,502,660	-
Principal payment of lease liabilities		(143,861)	(1,567)
Net cash provided by financing activities		55,358,799	34,998,433
Net increase in cash and cash equivalents		29,859,832	5,171,702
Cash and cash equivalents at the beginning of the financial year		8,510,349	3,336,384
Effects of exchange rate changes on cash and cash equivalents		(78,984)	2,263
Cash and cash equivalents at the end of the year	7	38,291,197	8,510,349

The accompanying notes form an integral part of these financial statements.

Reconciliation in liabilities arising from financial activities for the years ended June 30, 2020 and 2019, are as follows:

	Liabilities from financing activities				
	Lease liabilities	Borrowings	Financial liability at fair value through profit or loss	Redeemable convertible preference shares	Total
	$	$	$	$	$
As at June 30, 2019	8,211	16,659,401	437,800	-	17,105,412
Proceeds	-	4,000,000	-	51,502,660	55,502,660
Repayments	(342,442)	-	-	-	(342,442)
Non-cash changes:					
Adoption of FRS 116	626,528	-	-	-	626,528
Additions during the year	2,010,352	-	-	-	2,010,352
Conversion of convertible loan	-	(20,000,000)	(437,800)	20,000,000	(437,800)
Conversion of redeemable convertible preference shares to ordinary shares	-	-	-	(71,502,660)	(71,502,660)
Waiver of interest from a shareholder	-	(1,509,986)	-	-	(1,509,986)
Interest charged	255,608	901,602	-	-	1,157,210
Exchange differences	(135,636)	-	-	-	(135,636)
Derecognition during the year	(76,344)	-	-	-	(76,344)
As at June 30, 2020	2,346,277	51,017	-	-	2,397,294

Prestige Biopharma Limited and subsidiaries
Consolidated Statement of Cash Flows
For the financial year ended June 30, 2020

Reconciliation in liabilities arising from financial activities for the years ended June 30, 2020 and 2019, are as follows*:* (continued)

(in USD)	Liabilities from financing activities			
	Lease liabilities	**Borrowings**	**Financial liability at fair value through profit or loss**	**Total**
	$	**$**	**$**	**$**
As at June 30, 2018	9,778	6,096,179	-	6,105,957
Proceeds	-	34,603,600	396,400	35,000,000
Repayments	(1,567)	-	-	(1,567)
Non-cash changes:				
Conversion of convertible loan	-	(25,000,000)	-	(25,000,000)
Waiver of interest from a shareholder	-	(1,456,783)	-	(1,456,783)
Loss on financial liability at fair value of profit or loss	-	-	41,400	41,400
Exchange differences	-	(448)	-	(448)
Accrued interest	-	2,416,853	-	2,416,853
As at June 30, 2019	8,211	16,659,401	437,800	17,105,412

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Prestige Biopharma Limited (the "Company") was incorporated in the Republic of Singapore. The address of its registered office is 2 Science Park Drive #04-13/14, Ascent, Singapore 118222. The principal activities are to research, develop and market new anticancer drugs and biosimilars.

With effect from April 27, 2020, the name of the Company was changed from Prestige Biopharma Pte Ltd. to Prestige Biopharma Limited.

The principal activity of the subsidiaries of the Company is disclosed in Note 1.1.

1.1 Subsidiaries

Details of the subsidiaries included in the consolidated financial statements as at June 30, 2020 and 2019, are as follows:

	Location	2020 Ownership interest held by the Group (%)	2019 Ownership interest held by the Group (%)	Financial year end	Principal activities
Prestige Biopharma Australia Pty Ltd	Australia	100	100	June	Scientific Research Studies
Prestige Biopharma Belgium BVBA	Belgium	100*	100*	June	Scientific Research Studies

**1% of the interest is held in trust on behalf of the Company by a director of the Company*

2. Significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2. Significant accounting policies (continued)

2.2 New and amended standards and interpretations adopted by the Group

On July 1, 2019, the Group has adopted the new or amended FRS that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

The adoption of these new or amended FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of FRS 116 Leases.

(a) Adoption of FRS 116 Leases

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the statement of financial position. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2.19.

On initial application of FRS 116, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before July 1, 2019 and that were previously identified as leases under FRS 17 *Leases* and INT FRS 104 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under FRS 116; and

ii) On a lease-by-lease basis, the Group has:
- a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- c) accounted for operating leases with a remaining lease term of less than 12 months as at July 1, 2019 as short-term leases;
- d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
- e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- f) elected to not separate lease and non-lease components for leases and account for these as one single lease component.

The Group has early adopted the amendment to FRS 116 *COVID-19-Related Rent Concessions* and applied the practical expedient not to assess whether the rent concessions relating to the COVID-19 pandemic are lease modifications at the date of initial application. There were no onerous contracts as at July 1, 2019.

For leases previously classified as operating leases on July 1, 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (i.e. July 1, 2019).

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at July 1, 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

2. Significant accounting policies (continued)

2.2 New and amended standards and interpretations adopted by the Group (continued)

(a) Adoption of FRS 116 Leases (continued)

(iii) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at July 1, 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

The effects of adoption of FRS 116 on the Group's and Company's financial statements as at July 1, 2019 are as follows:

	Increase/(decrease)
	$
Group and Company	
Property, plant and equipment	626,528
Borrowings	634,739
Trade and other payables	(8,211)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's and Company's financial statements as at June 30, 2019 and the lease liabilities recognised in the statement of financial position as at July 1, 2019 are as follows:

	2019
	$
Group and Company	
Operating lease commitments disclosed as at June 30, 2019	243,981
Less: discounting effect using weighted average incremental borrowing rate of 18% at the date of initial application	(35,230)
Add: Extension options which are reasonably certain to be exercised	417,777
	626,528
Add: finance lease liabilities recognised as at June 30, 2019	8,211
Lease liabilities recognised as at July 1, 2019	634,739
Current lease liabilities	122,516
Non-current lease liabilities	512,223
	634,739

(b) Enactment to Interpretation of INT FRS 123 Uncertainty over Income Tax Treatments

The Interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The amendment does not have a significant impact on the financial statements.

2. Significant accounting policies (continued)

2.2 New and amended standards and interpretations adopted by the Group (continued)

(c) Annual Improvements 2015-2017 Cycle (issued in March 2018) *(effective for the Group's annual period beginning on July 1, 2019)*

FRS 23 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. Interest expense on these general borrowings will then be capitalised on the related qualifying asset. Borrowing costs may also include interest in respect of lease liabilities recognised in accordance with FRS 116. The amendments do not have a significant impact on the financial statements.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with *FRS 110 Consolidated Financial Statements*.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2. Significant accounting policies (continued)

2.3 Consolidation (continued)

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in United States Dollar ("USD"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Monetary items include primarily financial assets (other than equity instruments), contract assets and financial liabilities.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;
(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

2. Significant accounting policies (continued)

2.5 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss, and
- Amortised cost.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Equity investments are classified as fair value through profit or loss with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other (losses)/gains", except for those equity securities which are not held for trading. Dividend income from such investments continue to be recognised in profit or loss as 'other income' when the right to receive payments is established.

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4.1.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised or derecognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2. Significant accounting policies (continued)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure relating to property and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation of all property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Laboratory equipment	3 years
Furniture and fittings	3 years
Computers	3 years
Office equipment	3 years
Motor vehicles	5 years
Leasehold office and laboratory space	3 – 6 years
Residential space	3 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other (losses)/gains".

2.7 Intangible assets

Intangible assets, except for goodwill, are initially recognised at its historical cost, and carried at cost less accumulated amortisation and accumulated impairment losses.

Intellectual property rights, development costs and patents acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation will commence when the related product is ready for its intended use or sale.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. Significant accounting policies (continued)

2.7 Intangible assets (continued)

New development projects are processed through phases of discovery which includes preclinical trial, phase 1 clinical trial, phase 2 clinical trial, phase 3 clinical trial, request for government approval, completion of government approval and sales of products. Development costs are recognised as intangible assets when all the following criteria are met:

- it is technically feasible to complete the intangible assets so that it will be available for use;
- management intends to complete the intangible assets and use or sell it;
- there is an ability to use or sell the intangible assets;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use to sell the intangible assets are available; and
- the expenditure attributable to the intangible assets during its development can be reliably measured.

Other development expenditure that do not meet the criteria listed above are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

The Group capitalises development expenditure in relation to the development of biosimilars upon the commencement of phase 1 clinical trials as the Group has determined that the criteria under FRS 38 *Intangible Assets* relating to the capitalisation of internally generated intangible assets, including the technical feasibility of the biosimilars is satisfied.

2.8 Investment in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2. Significant accounting policies (continued)

2.10 Financial liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A derivative that is not designated as a hedging instrument and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortised cost and present as 'trade and other payables' and 'borrowings' in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is discharged, cancelled, expired or when the terms of an existing financial liability are substantially modified.

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

(a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(b) Convertible loans

The convertible loans of the Company comprise a hybrid instrument which is convertible into equity instruments at the option of the holder.

The total proceeds from convertible loans issued are allocated to the host debt liability component and the embedded derivative liability. The embedded derivative is separated from the host debt component and accounted for as a derivative liability as the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host debt instrument.

The difference between the total proceeds and the embedded derivative component is allocated to the host debt component. The embedded derivative is subsequently measured at fair value through profit or loss. When the conversion option is exercised, the carrying amount of the host debt component is reclassified in accordance with the conversion terms.

The host debt component is recognised initially at its fair value. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the loans.

2. Significant accounting policies (continued)

2.11 Borrowings (continued)

(c) Redeemable convertible preference shares

Redeemable convertible preference shares ("RCPS") are convertible into equity instruments at the option of the holder and are mandatorily redeemable on a specific date. The entire hybrid instrument is recognised initially at its fair value. It is designated as at fair value through profit or loss and is subsequently measured at fair value through profit or loss until the liability is extinguished on conversion or redemption of the RCPS.

When the conversion option is exercised, the carrying amount of the liability is transferred to share capital.

2.12 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grants relating to assets are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate.

2.13 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognised as finance costs in the statement of comprehensive income.

2.14 Current and deferred tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

2. Significant accounting policies (continued)

2.14 Current and deferred tax (continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Group recognises a deferred tax liability on all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Group recognises a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.15 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the development of intangible assets. This includes those costs on borrowings acquired specifically for the development of intangible assets, as well as those in relation to general borrowings used to finance the intangible assets.

Where funds are borrowed generally and used for financing intangible assets, the borrowing costs are eligible for capitalisation and can be determined by applying a capitalisation rate to the expenditure on the intangible assets. The capitalisation rate should be the weighted average of the borrowing rates applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring the intangible assets. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during the period.

2.16 Employee benefits

Post-employment benefits

The Group operates defined contribution plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution have been paid. The contributions are recognised as employee benefit expense when they are due.

2. Significant accounting policies (continued)

2.17 Revenue recognition

(a) Sale of goods

Sales of pharmaceutical products are recognised at point in time when control of the products has transferred to its customer, being when the right to payment accrues, significant risks and rewards of ownership are transferred, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) License fee

The Group grants exclusive rights to customers to register, market, manufacture, sell or distribute the Group's products in certain territories as specified in the license agreements. Consideration is received subject to the completion of certain milestones. License fees for the right to use the intellectual property are recognised at point in time when the license is granted to its customer, and there is substantially no unfulfilled obligation that could affect the functionality of the license. License fees for the distribution rights are recognised over time as the underlying sales are recorded by licensee.

2.18 Interest income

Interest income is recognised using the effective interest method and is recognised over time.

2.19 Leases

The accounting policy for leases before July 1, 2019 is as follows:

Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

The accounting policy for leases after July 1, 2019 is as follows:

When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

2. Significant accounting policies (continued)

2.19 Leases (continued)

- Right-of-use assets

  The Group recognises a right-of-use asset and lease liability at the date on which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets are presented within “Property, plant and equipment”.

- Lease liabilities

  Lease liabilities are initially measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

  Lease payments include fixed payments (including in-substance fixed payments), less any lease incentive receivables.

  For a contract that contains both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease components for leases and account for these as one single lease component.

  A lease liability is measured at amortised cost using the effective interest method. A lease liability is remeasured when:

  - There is a change in future lease payments arising from changes in an index or rate;
  - There is a change in the Group’s assessment of whether it will exercise an extension option; or
  - There are modifications in the scope or the consideration of the lease that was not part of the original term.

  A lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

  The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value assets. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.22 Segment reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

3. Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment assessment of intangible assets

The Group and Company test its intangible assets, which have yet to be amortised for impairment, whenever there are indicators of impairment and at least on an annual basis. The recoverable amounts of the cash generating units (“CGUs”) to which the intangible assets belong have been determined based on value-in-use calculations. The determination of the recoverable amounts of the CGUs requires significant judgement to be applied by management, particularly management's view of the forecasted revenue and the determination of the discount rate that should be applied in order to calculate the present values of the future cash flows.

3. Critical accounting estimates, assumptions and judgements (continued)

(a) Impairment assessment of intangible assets (continued)

As the intangible assets relate to products which are still under development (HD201 and HD204), management determined the forecasted revenue primarily based on its ongoing discussions and negotiations with distributors which provides management with a view of the potential sales volumes and market prices of the products being developed. The discount rate that was applied to the forecasted cash flows was 18%.

The Coronavirus Disease 2019 (“COVID-19”) outbreak in 2020 has had a negative impact on many countries and economies globally and has also resulted in restrictions in movements across the world which may result in the Group experiencing delays in obtaining marketing authorisation and commercialisation of these drugs.

Management has included the impact arising from COVID-19 in the key assumptions applied in the impairment assessment of intangible assets by factoring in potential delays in obtaining marketing authorisation and commercialisation of its drugs in its forecasted revenue.

Based on the impairment assessment performed by management on June 30, 2020, no impairment charge was deemed necessary.

The sensitivity analysis performed on management’s estimates for forecasted revenue, discount rate used and the date of obtaining marketing authorisation is as follows:

		Group		**Company**	
Key assumptions	**Sensitivity**	**Headroom/(impairment)**			
		HD201	HD204	HD201	HD204
		$	$	$	$
Forecasted revenue	Decrease by 10%	6,504,869	(6,197,560)	6,808,358	(5,823,591)
Discount rate	Increase by 5%	2,073,994	(10,650,705)	2,377,484	(10,276,737)
Date of obtaining marketing authorisation	Delay by a year	4,193,605	(8,976,721)	4,497,095	(8,602,752)

3. Critical accounting estimates, assumptions and judgements (continued)

(a) *Impairment assessment of intangible assets* (continued)

The changes in each assumption that will result in an impairment charge with all other variables held constant are as follows:

Key assumptions	Group		Company	
	Change in assumptions			
	HD201	HD204	HD201	HD204
	Decrease by	Decrease by	Decrease by	Decrease by
Forecasted revenue	17.01%	0.83%	17.34%	1.38%
Discount rate	23.91%	18.21%	24.04%	18.35%

(b) *Fair value of financial asset at fair value through profit or loss*

The fair value of the financial asset at fair value through profit or loss as at June 30, 2020, which relates to the Group's and Company's investment in ordinary shares of an unquoted related party has been determined based on a valuation performed by an independent professional firm using the Discounted Cash Flow Model. The inputs to this model are derived from observable market data where possible, but where this is not feasible, a degree of judgment has been applied in determining the appropriate inputs. Management has also included the impact arising from COVID-19 in the key assumptions applied in the valuation of the financial asset at fair value through profit or loss. The key assumptions applied in determination of the valuation of this unquoted financial asset is described in more detail in Note 5.3.

Based on the valuation performed, the carrying amount of the financial asset at fair value through profit or loss as at June 30, 2020 is $7,536,265.

(c) *Capitalisation of development costs*

The Group and Company incur costs to develop its new biosimilar drugs, HD201 and HD204. Management has applied its judgement and has determined that the criteria under FRS 38 *Intangible Assets* relating to the capitalisation of internally generated intangible assets is satisfied for a biosimilar after the commencement of Phase 1 clinical trials in line with the guidelines issued by the Korean Financial Supervisory Commission. As at June 30, 2020, the carrying amount of development costs capitalised by the Group and Company at the end of the reporting period were $72,648,782 and $67,100,591 respectively. In the event that the development of the drug is terminated, these costs will be expensed to profit or loss.

(d) *Expected credit losses on a loan due from a related party*

The Group has described how it determines the expected credit losses ("ECL") on its financial assets in Note 4.1.2.

In the financial year ended June 30, 2020, due to the COVID-19 outbreak and its impact on the economy, there were changes in the business plan of the related party. With the winding down of the related party during the year ended June 30, 2020, the Group and Company determined that the loan from the related party is fully impaired and recorded an additional impairment expense of $1,689,486 based on the life-time expected credit loss on this loan.

3. Critical accounting estimates, assumptions and judgements (continued)

(e) Deferred income

During the financial year ended June 30, 2020, a subsidiary of the Group applied for a tax incentive amounting to approximately $1,833,814 in relation to research and development ("R&D") activities performed in the subsidiary's tax jurisdiction. In its application for the R&D tax incentive, management obtained professional advice and has exercised judgement in determining that the subsidiary has fulfilled the relevant criteria to allow it to qualify for and claim the R&D tax incentive. As at June 30, 2020, management has recorded the R&D tax incentive as deferred income in the consolidated statement of financial position.

In subsequent periods, the R&D tax incentive will be credited to profit or loss over the period in which the related development costs (Note 14.3) are amortised to profit or loss. If the final tax outcome pertaining to this R&D tax incentive is different from the amounts initially recognised, such differences will impact the deferred income, cash and cash equivalents and other receivables in the period in which such determination is made.

(f) Uncertain tax position

The transfer price for services between the Company and its subsidiary for services were set on the basis that the compound being developed will commercialise and the subsidiary will derive license fees and sales revenue from the compound developed. Should the basis for the transfer price be challenged, it could result in tax being applied on development work carried out by the subsidiary. Management is confident that it can support the basis applied to set the transfer price.

(g) Dispute between a related party and an external contract manufacturer

During the year, the Company entered into a contract manufacturing agreement ("CMA") with an external contract manufacturer. On February 4, 2020, the CMA was novated to a related party, Prestige Biologics Co., Ltd with whom the Company has an existing collaboration agreement [Note 9(i)]. As part of the novation agreement, the related party is obliged to pay all invoices due to the external contract manufacturer under the CMA. Subsequent to the novation, a claim was made by the external contract manufacturer against the related party amounting to $1,033,138. Management has been informed by the related party that this claim by the external contract manufacturer is being disputed by the former.

In preparing its financial statements for the financial year ended June 30, 2020, management considered the terms of the Company's existing collaboration agreement with the related party and performed an assessment over whether the claims referred to above could be charged by the related party to the Company under the collaboration agreement.

In its assessment, management considered external legal advice obtained and determined that there is no basis for the claim against the related party and consequently determined that the Company has no obligation under the collaboration agreement in respect of this claim against the related party.

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise any adverse effects on the financial performance of the Group.

Risk management is carried out under policies approved by the Board of Directors. The Board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

4.1.1 Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the Singapore dollar, the Euro, Swiss Franc, Korean Won and British Pound. Foreign exchange risk arises from financial assets and liabilities denominated in currencies other than functional currency.

At present, the Group does not have any formal policy for hedging against foreign exchange risk. The Group however manages its foreign exchange risk through regular monitoring of relevant currencies in order to minimise currency risk and to reduce volatility of foreign exchange gains/losses. As this risk arises mainly from trade and other receivables, cash, trade and other payables and borrowings denominated in foreign currencies, management reduces the risk by monitoring fluctuations in the foreign exchange market.

The Group has certain investments in foreign entities, whose net assets are exposed to foreign currency translation risk. The Group's financial assets and liabilities exposed to foreign currency risk as at June 30, 2020 and 2019 are as follows:

(in USD)		**2020**		**2019**	
		Foreign currency	**USD**	**Foreign currency**	**USD**
Group					
Financial assets					
Trade and other receivables	SGD	-	-	1,577,056	1,144,911
Other assets	SGD	337,710	238,920	-	-
Cash and bank balances	SGD	4,090,103	2,893,625	683,889	496,489
Cash and bank balances	EUR	1,761,373	1,955,335	226,324	252,397
Financial asset at fair value through profit or loss	KRW	9,304,030,864	7,536,265	9,568,965,476	8,037,931
Financial liabilities					
Trade and other payables	SGD	1,209,515	855,696	1,760,973	1,278,431
Trade and other payables	EUR	278,226	308,864	3,745,611	4,177,105
Trade and other payables	KRW	9,000,000	7,290	-	-
Trade and other payables	CHF	392,511	408,180	-	-
Trade and other payables	GBP	71,939	88,797	-	-
Borrowings	SGD	3,388,545	2,397,294	57,402	41,673

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

The Company's financial assets and liabilities exposed to foreign currency risk as at June 30, 2020 and 2019 are as follows:

(in USD)		**2020**		**2019**	
		Foreign currency	**USD**	**Foreign currency**	**USD**
Company					
Financial assets					
Trade and other receivables	SGD	-	-	1,577,056	1,144,911
Other assets	SGD	337,710	238,920	-	-
Cash and bank balances	SGD	4,090,103	2,893,625	683,889	496,489
Cash and bank balances	EUR	1,761,373	1,955,335	226,324	252,397
Financial asset at fair value through profit or loss	KRW	9,304,030,864	7,536,265	9,568,965,476	8,037,931
Financial liabilities					
Trade and other payables	SGD	1,209,515	855,696	1,760,973	1,278,431
Trade and other payables	EUR	278,226	308,864	3,745,611	4,177,105
Trade and other payables	KRW	9,000,000	7,290	-	-
Trade and other payables	CHF	392,511	408,180	-	-
Trade and other payables	GBP	71,939	88,797	-	-
Borrowings	SGD	3,388,545	2,397,294	57,402	41,673

The table below summarises the impact of currency changes against the US Dollar on the Group's and Company's equity and post-tax profit for the year. The analysis is based on the assumption that Singapore Dollar ("SGD"), Euro ("EUR"), Swiss Franc ("CHF"), British Pound ("GBP") and Korean Won ("KRW") has strengthened/weakened by 10% with all other variables held constant.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

	Increase/(Decrease)			
	2020		2019	
	Profit after tax $	Other comprehensive income $	Profit after tax $	Other comprehensive income $
Group				
SGD against USD				
- Strengthened	(12,044)	(12,044)	32,130	32,130
- Weakened	12,044	12,044	(32,130)	(32,130)
EUR against USD				
- Strengthened	164,647	164,647	(392,471)	(392,471)
- Weakened	(164,647)	(164,647)	392,471	392,471
CHF against USD				
- Strengthened	(40,818)	(40,818)	-	-
- Weakened	40,818	40,818	-	-
GBP against USD				
- Strengthened	(8,880)	(8,880)	-	-
- Weakened	8,880	8,880	-	-
KRW against USD				
- Strengthened	752,898	752,898	803,793	803,793
- Weakened	(752,898)	(752,898)	(803,793)	(803,793)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

	Increase/(Decrease)			
	2020		2019	
	Profit after tax $	Other comprehensive income $	Profit after tax $	Other comprehensive income $
Company				
SGD against USD				
- Strengthened	(12,044)	(12,044)	32,130	32,130
- Weakened	12,044	12,044	(32,130)	(32,130)
EUR against USD				
- Strengthened	164,647	164,647	(392,471)	(392,471)
- Weakened	(164,647)	(164,647)	392,471	392,471
CHF against USD				
- Strengthened	(40,818)	(40,818)	-	-
- Weakened	40,818	40,818	-	-
GBP against USD				
- Strengthened	(8,880)	(8,880)	-	-
- Weakened	8,880	8,880	-	-
KRW against USD				
- Strengthened	752,898	752,898	803,793	803,793
- Weakened	(752,898)	(752,898)	(803,793)	(803,793)

(b) Price risk

The Group and Company are exposed to equity securities price risk arising from investments in unquoted ordinary shares held by the Group and Company that are classified as financial asset at fair value through profit or loss in the statements of financial position (Note 8).

(c) Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The objective of interest rate risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.1 Market risk (continued)

(c) *Interest rate risk* (continued)

The Group and Company have obtained financing from convertible loans issued to a shareholder and from the issuance of redeemable convertible preference shares. For the financial years ended June 30, 2020 and 2019, the finance cost relating to the convertible loans have been capitalised on qualifying intangible assets and as a result, a reasonable possible change to the interest rates would not have a material impact on post-tax profit. The Group and Company will cease capitalising its finance cost when all the activities necessary to prepare the qualifying intangible assets are complete.

4.1.2 Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents as well as credit exposures on outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition through the assessment of the credit quality of the debtor, taking into account its financial position, past experience and other relevant factors.

The Group's and Company's maximum exposure to credit risk as at June 30, 2020 and 2019 are as follows:

(in USD)	**2020**	**2019**
Group	$	$
Cash and cash equivalents	38,291,197	8,510,349
Financial assets at fair value through profit or loss	7,536,265	8,037,931
Trade and other receivables	922,088	10,344,853
Other assets	262,280	55,655
Company		
Cash and cash equivalents	37,812,239	7,753,758
Financial assets at fair value through profit or loss	7,536,265	8,037,931
Trade and other receivables	5,790,734	13,619,741
Other assets	238,923	55,655

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.2 Credit risk (continued)

For the financial years ended June 30, 2020 and June 30, 2019, the financial assets of the Group and Company that are subject to more than immaterial credit losses relate to a loan due from a related party, Qion Pte Ltd (formerly known as Prestige Bioresearch Pte Ltd) (Note 9).

In determining the expected credit losses ("ECL") on its cash and cash equivalents, financial assets at fair value through profit or loss, other receivables and deposits, the Group considers the stage in which the asset is in:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. Stage 1 ECL will be the credit loss that is expected to result from a default occurring within the next 12 months.
- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 ECL will be the life-time expected credit loss arising from a default during the remaining life of the asset.
- Stage 3, if it has been credit-impaired with an objective evidence of default. Stage 3 ECL are also measured as life-time expected credit loss.

ECLs are probability-weighted estimates of credit losses. The ECL associated with the loans and other receivables of the Group is a product of its probability of default, loss given default and exposure at default discounted using the original effective interest rate to the reporting date.

In calculating the expected credit losses for the loan due from the related party, the Group considers whether there is any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable forward-looking information such as actual or expected significant changes in the operating results of the related party.

The criteria that the Group uses to determine whether a financial asset is in default include:

- Significant financial difficulty, including breach of covenants and/ or financial conditions;
- Granting of a concession, that the Group would not otherwise consider, for economic or legal reasons relating to the borrower's financial difficulty; and
- High probability of bankruptcy.

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of future recoveries. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.2 Credit risk (continued)

The Group applied its judgement and determined that the loan due from the related party has been credit-impaired following a review of the financial information of the related party that was available and which indicated that the related party was facing significant financial difficulty. As a result, as at June 30, 2019, the Group determined that the loan due from the related party remains in stage 3 and accordingly recorded an allowance for impairment on this loan amounting to $2,641,274 based on the life-time expected credit loss on this loan.

For the financial year ended June 30, 2020, due to the COVID-19 outbreak and its impact on the economy, there were changes in the business plan of the related party. With the winding down of the related party during the year ended June 30, 2020, the Group and Company determined that the loan from the related party is fully impaired and recorded an additional impairment expense of $1,689,486 based on the life-time expected credit loss on this loan.

Changes in the loss allowances are as follows:

In USD	**Stage 3**	**Total**
	$	**$**
Group and Company		
2020		
Opening balance as at July 1, 2019	2,641,274	2,641,274
Charged to profit or loss:		
Allowance for impairment	1,689,486	1,689,486
Closing balance as at June 30, 2020	4,330,760	4,330,760
2019		
Opening and closing balance as at June 30, 2019	2,641,274	2,641,274

For trade receivables, the Group applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables and deposits are subject to immaterial credit loss.

The Group and the Company held cash and cash equivalents of $38,291,197 and $37,812,239 respectively (2019: $8,510,349 and $7,753,758) with banks which are rated AA- based on Standard & Poor and considered to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.3 Liquidity risk

Maintaining optimal liquidity is important given that the business requires significant investment in product development. Management monitors rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Details of the Group and Company's liquidity risk analysis as at June 30, 2020 and June 30, 2019 are included in the table below. The amounts disclosed are the contractual undiscounted cash flows.

(in USD)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Group	$	$	$	$
2020				
Borrowings	759,800	757,838	1,712,445	822,923
Trade and other payables	6,497,446	-	-	-
2019				
Financial liability at fair value through profit or loss	437,800	-	-	-
Borrowings	16,617,728	-	-	435,571
Trade and other payables	12,188,783	8,211	-	-
Company				
2020				
Borrowings	759,800	757,838	1,712,445	822,923
Trade and other payables	6,219,429	-	-	-
2019				
Financial liability at fair value through profit or loss	437,800	-	-	-
Borrowings	16,617,728	-	-	435,571
Trade and other payables	12,142,703	8,211	-	-

4. Financial risk management (continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may make borrowings, issue new shares or sell assets to increase or reduce debt as necessary. The fair value of non-current borrowings and loans to related parties are disclosed in Note 5.1.

The Group and Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is borrowings and derivative financial instruments less cash and cash equivalents. Total capital is 'equity' as shown in the statements of financial position plus net debt.

The gearing ratios at June 30, 2020 and 2019 were as follows:

(in USD)	**2020**	**2019**
	$	**$**
Group		
Financial liability at fair value through profit or loss	-	437,800
Borrowings	2,397,294	16,659,401
Less: Cash and cash equivalents	(38,291,197)	(8,510,349)
Net Debt	(35,893,903)	8,586,852
Total Equity	114,765,933	50,393,798
Total Capital	78,872,030	58,980,650
Gearing ratio	Nil*	15%
Company		
Financial liability at fair value through profit or loss	-	437,800
Borrowings	2,397,294	16,659,401
Less: Cash and cash equivalents	(37,812,239)	(7,753,758)
Net (Cash)/Debt	(35,414,945)	9,343,443
Total Equity	114,834,857	50,296,817
Total Capital	79,419,912	59,640,260
Gearing ratio	Nil*	16%

**The Group and the Company is in a net cash position as at June 30, 2020.*

The Group is not subject to any externally imposed capital requirement.

5. Fair value

5.1 Fair value of financial instruments by category

Carrying amount and fair value of financial instruments by category as at June 30, 2020 and 2019 are as follows:

(in USD)	Carrying amount		Fair value	
	Group	Company	Group	Company
	$	$	$	$
2020				
Financial assets, at fair value through profit or loss	7,536,265	7,536,265	7,536,265	7,536,265
Financial assets, at amortised cost	39,475,565	43,841,896	39,475,565	43,841,896
Financial liabilities, at amortised cost	8,894,740	8,616,723	8,894,740	8,616,723
2019				
Financial assets, at fair value through profit or loss	8,037,931	8,037,931	8,037,931	8,037,931
Financial liabilities, at fair value through profit or loss	437,800	437,800	437,800	437,800
Financial assets, at amortised cost	18,910,857	21,429,154	18,910,857	21,429,154
Financial liabilities, at amortised cost	28,856,395	28,810,314	28,856,395	28,810,314

The carrying values of financial assets and liabilities at amortised cost approximate their fair value. The fair value of non-current financial assets and liabilities are estimated by discounting their future contractual cash flows at their current market interest rates available for similar financial instruments.

5.2 Fair value hierarchy

Items that are measured at fair value or for which the fair value is disclosed are categorised by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

5. Fair value (continued)

5.2 Fair value hierarchy (continued)

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at June 30, 2020 and 2019 are as follows:

(in USD) Group and Company	**Level 3** **$**
2020	
Financial assets/liabilities that are measured at fair value	
Financial asset at fair value through profit or loss	7,536,265
2019	
Financial assets/liabilities that are measured at fair value	
Financial asset at fair value through profit or loss	8,037,931
Financial liability at fair value through profit or loss	437,800

5.3 Valuation techniques and the inputs

The Group engaged external, independent and qualified valuers to determine the fair value of financial assets at fair value through profit or loss for the financial year ended June 30, 2020. The Group had also engaged external, independent and qualified valuers to determine the fair value of financial liabilities at fair value through profit or loss for the financial year ended June 30, 2019.

For the valuations performed by the qualified valuer, management reviewed the appropriateness of the valuation methodologies, assumptions and reliability of the range of inputs. The Group evaluates significant changes in fair value measurements from period to period.

Financial asset at fair value through profit or loss

The fair value of the ordinary shares has been established using the Discounted Cash Flow Model and is classified as a level 3 valuation.

For the year ended June 30, 2020, key inputs to the Discounted Cash Flow Model comprises the weighted average cost of capital, terminal growth rate and forecasted revenue used to calculate the present value of the future cash flows of the asset.

Forecasted revenue is based on management's latest discussions and negotiations with distributors which provides management with a view of its expected market share and selling prices of the products being developed.

5. Fair value (continued)

5.3 Valuation techniques and the inputs (continued)

Financial asset at fair value through profit or loss (continued)

Details of the valuation technique and inputs used in the level 3 fair value measurement category are as follows:

(in USD)

Group and Company	Fair value	Level	Valuation techniques	Inputs	Range of inputs (weighted average)
2020					
Ordinary shares	$ 7,536,265	3	Discounted cash flow	Weighted average cost of capital	16.6%
				Revenue	8,405,000 - 133,346,000/annum
				Terminal growth rate	1%
2019					
Ordinary shares	$ 8,037,931	3	Discounted cash flow	Weighted average cost of capital	16.8%
				Revenue	4,016,000-114,929,000 /annum
				Terminal growth rate	1%

The table below summarises the impact of changes to inputs on the Group's and Company's post-tax profit for the year based on a change of 0.5% to 5.0% with all other variables held constant.

(in USD)

		Effects on the post-tax profit	
	Change applied	Increase/ (Decrease) If input increase	Increase/ (Decrease) If input decrease
Group and Company	%	$	$
2020			
Weighted average cost of capital	0.50	(349,348)	372,332
Revenue	5.00	2,347,757	(1,244,553)
Terminal growth rate	0.50	241,326	(226,387)
2019			
Weighted average cost of capital	0.50	(355,231)	379,561
Revenue	5.00	2,267,760	(1,142,117)
Terminal growth rate	0.50	258,134	(242,315)

For the year ended June 30, 2019, the fair value of the embedded derivative (Note 17) was established using the Binomial Option Pricing Model and was classified as a level 3 valuation. The key inputs to the Binomial Option Pricing Model comprised the volatility and the risk free interest rate.

5. Fair value (continued)

5.3 Valuation techniques and the inputs (continued)

Financial liability at fair value through profit or loss

Details of the valuation technique and inputs used in the level 3 fair value measurement category are as follows:

(in USD)

	Fair value	Level	Valuation techniques	Inputs	Range of inputs (weighted average)
Group and Company					
2019					
Derivative financial instrument	$437,800	3	Binomial Option Pricing Model	Volatility Discount rate	100% 2.12%

The table below summarises the impact of changes to inputs on the Group and Company's post-tax profit for the year with all other variables held constant.

(in USD)

		Effects on the post-tax profit	
	Change applied	Increase/(Decrease) if input increase	Increase/(Decrease) if input decrease
Group and Company	%	$	$
2019			
Volatility	10.00	(161,800)	134,900
Risk free interest rate	0.50	1,500	(1,800)

6. Financial instruments by category

6.1 Carrying amounts of financial instruments by category

Carrying amounts of financial assets and liabilities by category as at June 30, 2020 and 2019 are as follows:

(in USD)	June 30, 2020			
	Group		Company	
	Financial assets at amortised cost	Financial asset at fair value through profit and loss	Financial assets at amortised cost	Financial asset at fair value through profit and loss
	$	$	$	$
Financial assets				
Cash and cash equivalents	38,291,197	-	37,812,239	
Financial asset at fair value through profit and loss	-	7,536,265	-	7,536,265
Other assets	262,280	-	238,923	-
Trade and other receivables	922,088	-	5,790,734	-
	39,475,565	7,536,265	43,841,896	7,536,265

6. Financial instruments by category (continued)

6.1 Carrying amounts of financial instruments by category (continued)

Carrying amounts of financial assets and liabilities by category as at June 30, 2020 and 2019 are as follows: (continued)

(in USD)	June 30, 2020	
	Group	Company
	Financial liabilities at amortised cost	
	$	$
Financial liabilities		
Borrowings	2,397,294	2,397,294
Trade and other payables	6,497,446	6,219,429
	8,894,740	8,616,723

(in USD)	June 30, 2019			
	Group		Company	
	Financial assets at amortised cost	Financial asset at fair value through profit and loss	Financial assets at amortised cost	Financial asset at fair value through profit and loss
	$	$	$	$
Financial assets				
Cash and cash equivalents	8,510,349	-	7,753,758	-
Financial asset at fair value through profit and loss	-	8,037,931	-	8,037,931
Other assets	55,655	-	55,655	-
Trade and other receivables	10,344,853	-	13,619,741	-
	18,910,857	8,037,931	21,429,154	8,037,931
Financial liabilities				
Borrowings	16,659,401	-	16,659,401	-
Financial liability at fair value through profit and loss	-	437,800	-	437,800
Trade and other payables	12,196,994	-	12,150,914	-
	28,856,395	437,800	28,810,315	437,800

6. Financial instruments by category (continued)

6.2 Items of income, expense, gains or losses by category of financial instruments

Income, expense and gains or losses on each category of financial instruments for the years ended June 30, 2020 and 2019, are as follows:

(in USD)	2020	2019
	$	$
Financial assets measured at amortised cost		
Interest income	437,440	191,150
Financial assets measured at fair value through profit and loss		
Gain on conversion of redeemable convertible preference shares to ordinary shares	-	1,513,132
Fair value (losses)/gains	(501,666)	1,080,005
Financial liability measured at fair value through profit and loss		
Fair value loss on derivative liability (Note 24)	-	(41,400)
Loss on revaluation of redeemable convertible preference shares (Note 24)	(2,708,440)	-

7. Cash and cash equivalents

Cash and cash equivalents as at June 30, 2020 and 2019 consists of:

(in USD)	Group	
	2020	2019
	$	$
Cash at bank and on hand	38,291,197	8,510,349

(in USD)	Company	
	2020	2019
	$	$
Cash at bank and on hand	37,812,239	7,753,758

8. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss as at June 30, 2020 and 2019 include the following classes of financial assets:

(in USD)	Group and Company	
	2020	**2019**
	$	**$**
Investment in unquoted ordinary shares	7,536,265	8,037,931

Changes in financial assets at fair value through profit or loss for the years ended June 30, 2020 and 2019 are as follows:

(in USD)	**2020**	**2019**
	$	**$**
Group and Company		
Beginning of financial year	8,037,931	5,444,794
Gain on conversion of redeemable convertible preference shares to ordinary shares (Note 24)	-	1,513,132
Fair value (losses)/gains (Note 24)	(501,666)	1,080,005
End of financial year	7,536,265	8,037,931

9. Trade and other receivables

(in USD)	Group		Company	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Trade receivables				
- Third parties	600,000	7,350,000	600,000	7,350,000
- Prestige Biologics Co., Ltd (i)	320,000	840,000	320,000	840,000
Other receivables				
- Amount due from subsidiaries	-	-	4,870,734	3,274,888
- Loans to related parties:				
- Qion Pte Ltd (ii)	4,330,760	4,796,127	4,330,760	4,796,127
- Less: Allowance for impairment of receivables (Note 4.1.2)	(4,330,760)	(2,641,274)	(4,330,760)	(2,641,274)
	-	2,154,853	-	2,154,853
- Third parties	2,088	-	-	-
	922,088	10,344,853	5,790,734	13,619,741
Less: non-current portion	-	(2,154,853)	(4,870,734)	(5,429,741)
Current portion	922,088	8,190,000	920,000	8,190,000

9. Trade and other receivables (continued)

(i) On July 9, 2018, the Company entered into a collaboration agreement with Prestige Biologics Co., Ltd (formerly known as Prestige Biopharmaceuticals Co., Ltd), a company related by certain common directors and shareholders, to jointly develop and commercialise two biosimilar drugs, HD201 and HD204. Prestige Biologics Co., Ltd has committed to contribute up to a maximum of $10,000,000 in development expenses in connection with the collaboration agreement. Under the collaboration agreement, 16% of the value of all net sales made by the Company to its customers in relation to HD201 and HD204 is payable to Prestige Biologics Co., Ltd.

As at June 30, 2020, upfront license fees received by the Company amounting to $7,650,000 has been deferred as contract liabilities (Note 23). Payments made to Prestige Biologics Co., Ltd under the collaboration agreement has similarly been recorded on the statement of financial position as deferred expenditure in relation to the collaboration agreement in "Other assets" (Note 10).

(ii) The loan to Qion Pte Ltd is unsecured, bears interest at 1.5% per month and will be repayable in full 10 years from the date of disbursement. As at June 30, 2020, the loan has been fully impaired (Note 4.1.2).

10. Other assets

(in USD)	**Group** 2020 $	**Group** 2019 $ (restated)
Deferred expenditure in relation to collaboration agreement (Note 9(i))	1,184,000	1,512,000
Prepaid expenses	1,125,973	557,165
Deposits	262,280	55,655
Grant receivables	1,072,362	-
Goods and service tax receivables	50,303	91,764
	3,694,918	2,216,584
Less: non-current portion	(1,422,920)	(1,285,562)
Current portion	2,271,998	931,022

(in USD)	**Company** 2020 $	**Company** 2019 $ (restated)
Deferred expenditure in relation to collaboration agreement (Note 9(i))	1,184,000	1,512,000
Prepaid expenses	1,121,985	555,036
Deposits	238,923	55,655
Grant receivables	146,495	-
Goods and service tax receivables	26,396	63,362
	2,717,799	2,186,053
Less: non-current portion	(1,422,920)	(1,285,562)
Current portion	1,294,879	900,491

10. Other assets (continued)

Grant receivables of $146,495 relates to government grants under the Job Support Scheme ("JSS") introduced in the Singapore Budget 2020 to help enterprises impacted by COVID-19 to retain local employees. Under JSS, employers receive cash grants in 2020 in relation to the gross monthly wages of eligible employees paid in the months of October 2019 to March 2021.

Grant receivables of $925,867 relates to tax incentives receivable by a subsidiary of the Group for research and development ("R&D") activities performed in the subsidiary's tax jurisdiction.

11. Investment in subsidiaries

(in USD)	**2020** **$**	**2019** **$**
<u>Company</u>		
Unquoted ordinary shares, at cost		
At July 1	92,715	56,893
Acquisition	-	35,822
At June 30	92,715	92,715

Details of the subsidiaries are as follows

Name of subsidiaries	**Principal activities**	**Place of incorporation and business**	**Effective interest held**		**Cost of investment**	
In (USD)			**2020**	**2019**	**2020** **$**	**2019** **$**
Prestige Biopharma Australia Pty Ltd	Scientific research services	Australia	100%	100%	35,896	35,896
Prestige Biopharma Belgium BVBA	Scientific research services	Belgium	100%	100%	56,819	56,819
					92,715	92,715

Prestige Biopharma Limited and subsidiaries
Notes to the Financial Statements
For the financial year ended June 30, 2020

12. Property, plant and equipment

Details of property and equipment as at June 30, 2020 and 2019 are as follows:

(in USD)
<u>**Group and Company**</u>

	2020			2019		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	$	$	$	$	$	$
Laboratory equipment	2,143,475	(1,266,132)	877,343	1,570,202	(748,502)	821,700
Furniture and fittings	625,461	(185,548)	439,913	135,324	(86,220)	49,104
Computer	81,727	(26,657)	55,070	34,651	(6,719)	27,932
Office equipment	23,179	(12,169)	11,010	12,704	(6,933)	5,771
Motor vehicles	120,404	(13,654)	106,750	-	-	-
Leasehold office and laboratory space	2,463,287	(260,977)	2,202,310	-	-	-
Residential space	106,273	(35,266)	71,007	-	-	-
	5,563,806	(1,800,403)	3,763,403	1,752,881	(848,374)	904,507

Prestige Biopharma Limited and subsidiaries
Notes to the Financial Statements
For the financial year ended June 30, 2020

12. Property, plant and equipment (continued)

Changes in property, plant and equipment for the years ended June 30, 2020 and 2019 are as follows:

(in USD)
Group and Company

	Laboratory equipment	Furniture and fittings	Computer	Office equipment	Motor vehicles	Leasehold office and laboratory space	Residential space	Total
	$	$	$	$	$	$		$
June 30, 2020								
Opening net book value	821,700	49,104	27,932	5,771	-	-	-	904,507
Adoption of FRS 116 (Note 2.2)	-	-	-	-	87,832	479,968	58,728	626,528
	821,700	49,104	27,932	5,771	87,832	479,968	58,728	1,531,035
Additions	573,273	490,137	47,076	10,474	88,837	1,983,320	104,608	3,297,725
Disposals	-	-	-	-	(44,193)	-	(30,135)	(74,328)
Depreciation	(517,630)	(99,328)	(19,938)	(5,235)	(25,726)	(260,978)	(62,194)	(991,029)
Closing net book value	877,343	439,913	55,070	11,010	106,750	2,202,310	71,007	3,763,403
June 30, 2019								
Opening net book value	693,927	89,866	5,209	10,005	-	-	-	799,007
Additions	581,301	845	28,647	-	-	-	-	610,793
Depreciation	(453,528)	(41,607)	(5,924)	(4,234)	-	-	-	(505,293)
Closing net book value	821,700	49,104	27,932	5,771	-	-	-	904,507

ROU assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 13. The Group leases office equipment under non-cancellable finance lease agreements. The lease terms are for 5 years. The carrying amount of office equipment held under finance leases as at June 30, 2019 was $5,376.

13. Leases

Nature of the Group's and Company's leasing activities

Leasehold office and laboratory space
The Group and Company lease office and laboratory space for the purpose of back office operations and research and development of biosimilars respectively.

Residential space
The Group and Company lease residential properties for certain employees.

Motor vehicles
The Group and Company lease vehicles for the key management of the Group.

Office equipment
The Group and Company lease office equipment for the purposes of back office operations.

(a) *Carrying amounts*

ROU assets classified within property, plant and equipment

	June 30, 2020	July 1, 2019
	$	$
Group and Company		
Office equipment	1,451	5,376
Motor vehicles	106,750	87,832
Leasehold office and laboratory space	2,202,310	479,968
Residential space	71,007	58,728
	2,381,518	631,904

	June 30, 2020	
	Group	Company
	$	$
(b) *Depreciation charge during the year*		
Office equipment	3,925	3,925
Motor vehicles	25,726	25,726
Leasehold office and laboratory space	260,978	260,978
Residential space	62,194	62,194
Total	352,823	352,823
(c) *Interest expense*		
Interest expense on lease liabilities	255,608	255,608
(d) *Lease expense not capitalised in lease liabilities*		
Lease expense – short-term leases	73,920	73,920
Lease expense – low-value leases	9,127	8,461

(e) Total cash outflow for all the leases in the year ended June 30, 2020 for the Group and Company was $425,489 and $424,822 respectively.

(f) Addition of ROU assets in the year ended June 30, 2020 for the Group and Company was $2,176,765.

14. Intangible assets

Intangible assets as at June 30, 2020 and 2019 consist of:

(in USD)	Group		
	Cost	**Accumulated amortisation**	**Net book value**
	$	**$**	**$**
2020			
Intellectual property rights (Note 14.1)	6,158,390	-	6,158,390
Patents (Note 14.2)	322,245	-	322,245
Development costs (Note 14.3)	72,648,782	-	72,648,782
	79,129,417	-	79,129,417
2019			
Intellectual property rights (Note 14.1)	6,061,109	-	6,061,109
Patents (Note 14.2)	172,956	-	172,956
Development costs (Note 14.3)	52,889,704	-	52,889,704
	59,123,769	-	59,123,769

(in USD)	Company		
	Cost	**Accumulated amortisation**	**Net book value**
	$	**$**	**$**
2020			
Intellectual property rights (Note 14.1)	6,158,390	-	6,158,390
Patents (Note 14.2)	322,245	-	322,245
Development costs (Note 14.3)	67,100,591	-	67,100,591
	73,581,226	-	73,581,226
2019			
Intellectual property rights (Note 14.1)	6,061,109	-	6,061,109
Patents (Note 14.2)	172,956	-	172,956
Development costs (Note 14.3)	50,166,162	-	50,166,162
	56,400,227	-	56,400,227

14. Intangible assets (continued)

14.1. Intellectual property ("IP") rights

Changes in intellectual property rights, development costs and trademarks and patents for the years ended June 30, 2020 and 2019, are as follows:

(in USD)	Group			
	Intellectual property rights	Patents	Development costs	Total
	$	$	$	$
2020				
Beginning net book value	6,061,109	172,956	52,889,704	59,123,769
Additions	97,281	149,289	19,759,078	20,005,648
Ending net book value	6,158,390	322,245	72,648,782	79,129,417
2019				
Beginning net book value	5,800,751	74,299	20,268,189	26,143,239
Additions	260,358	98,657	32,621,515	32,980,530
Ending net book value	6,061,109	172,956	52,889,704	59,123,769

(in USD)	Company			
	Intellectual property rights	Patents	Development costs	Total
	$	$	$	$
2020				
Beginning net book value	6,061,109	172,956	50,166,162	56,400,227
Additions	97,281	149,289	16,934,429	17,180,999
Ending net book value	6,158,390	322,245	67,100,591	73,581,226
2019				
Beginning net book value	5,800,751	74,299	20,268,189	26,143,239
Additions	260,358	98,657	29,897,973	30,256,988
Ending net book value	6,061,109	172,956	50,166,162	56,400,227

14. Intangible assets (continued)

14.1. Intellectual property ("IP") rights (continued)

Intellectual property rights relates to a certain medical technology that was developed and invented by a third party, Hanwha Chemical Corporation ("HWCC"), a Korean corporation pertaining to two biosimilar drugs, HD201 and HD204. On June 1, 2015, HWCC and a related party, Qion Pte Ltd ("Qion") (formerly known as Prestige Bioresearch Pte Ltd), a Singapore registered entity, entered into an Asset Purchase Agreement ("AP Agreement") to acquire the IP for a purchase consideration of KRW 5,500,000,000 (equivalent to USD 4,978,132) to be settled over 2 payments i.e. an upfront payment and a final payment.

A series of amendments (the "Amendments") were made to the original AP Agreement which included clarification of certain issues on the IP, request for additional time by each party and additional intellectual property. Qion had then paid the upfront payment but not the final payment while HWCC had completed the transfer of the IP but not the transfer of the IP patents.

On November 13, 2015, the Company, Qion and HWCC entered into a Novation Agreement to novate the IP rights to the Company. Under the terms of the Novation Agreement, Qion transferred all its rights, benefits, obligations and liabilities under the AP Agreement and Amendments to the Company; and HWCC agreed to perform all the remaining obligations under the AP Agreement and Amendments after the Company makes the upfront and final payments in place of Qion. During the financial year ended June 30, 2016, the directors paid the upfront and final payments on behalf of the Company and the Company recorded the IP as an intangible asset in the statement of financial position as at June 30, 2016.

This acquired IP continues to be developed by the Company and borrowing costs amounting to $97,281 and $260,358 and have been capitalised as IP for the years ended June 30, 2020 and 2019.

No amortisation expense has been recorded, as amortisation will commence only when the related product is ready for its intended use or sale.

14.2 Patents

Patents refer to all certificates of invention and applications for certificates of invention related to the IP patents. Amortisation will commence when the related product is ready for its intended use or sale.

14. Intangible assets (continued)

14.3 Development costs

Carrying amount of the development project as at June 30, 2020 and 2019 are as follows:

(in USD)		Group		Company	
		2020	**2019**	**2020**	**2019**
Related account	**Name of separate asset**	**Carrying amount**		**Carrying amount**	**Carrying amount**
		$	$	$	$
Development costs	HD201	50,600,327	41,418,241	48,114,832	40,714,888
Development costs	HD204	22,048,455	11,471,463	18,985,759	9,451,274
		72,648,782	52,889,704	67,100,591	50,166,162

HD201 is a product developed for the treatment of breast cancer. HD204 is a product developed for the treatment of lung cancer.

The Group and Company recognised total research and development costs of $2,327,184 and $3,124,262 respectively (2019: $1,530,343 and $1,530,343) as expenses. These costs were not capitalised as the respective products that they were incurred for were still in the pre-clinical trial phase.

Included in the additions to development costs of the Group and Company for the years ended June 30, 2020 and June 30, 2019 are capitalised borrowing costs of $1,059,929 and $2,156,495 respectively.

14.4 Estimating recoverable amount

The Group and Company estimated the recoverable amount of HD201 and HD204 based on value-in-use calculations.

The value-in-use calculations use cash flow projections covering a period of up to 10 years from expected commercialisation date based on management's the projected useful life and financial budgets approved by management.

Management had determined the present value of the future cash flows based on key assumptions including forecast revenue and discount rate. Forecasted revenue is primarily based on management's latest discussions and negotiations with distributors which provides management with a view of the potential sales volumes and market prices of the products being developed. Discount rates applied of 18% (2019: 18%) reflect specific risks relating to the Company's products.

No impairment charge was recognised for the financial years ended June 30, 2020 and 2019 as disclosed in Note 3(a).

15. Trade and other payables

(in USD)	Group		Company	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Trade payables	3,480,495	5,929,408	3,205,070	5,885,796
Other payables:				
Amount due to directors	-	664,552	-	664,552
Other related parties (i)	2,098,811	3,668,699	2,098,811	3,668,699
Trade and other payables	5,579,306	10,262,659	5,303,881	10,219,047
Accrued development expenses	116,064	1,532,311	116,064	1,532,311
Accrued operating expenses	802,076	402,024	799,484	399,556
Trade and other payables and other liabilities	6,497,446	12,196,994	6,219,429	12,150,914
Less: non-current portion	-	(8,211)	-	(8,211)
Current	6,497,446	12,188,783	6,219,429	12,142,703

Other payables consists of amounts due to directors and amounts due to entities in which a director has a controlling interest. These amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

(i) The payables relate to the Company's collaboration agreement with Prestige Biologics Co., Ltd as disclosed in Note 9(i).

16. Borrowings

Details of carrying amount of borrowings as at June 30, 2020 and 2019 are as follows:

Group and Company

Current

Category	Creditor	Latest maturity date	Monthly interest rate (%)		2020 $	2019 $
Convertible loan	Octava Fund Ltd	December 31, 2019	1.5	(a)	-	16,617,728
Lease liabilities	-	June 30, 2021	1.5		369,647	-
					369,647	16,617,728

16. Borrowings (continued)

Group and Company

Non-current

Category	Creditor	Latest maturity date	Monthly interest rate (%)		2020 $	2019 $
Long-term borrowings	Prestige Biologics Co., Ltd	January 4, 2031	-	(b)	-	41,673
Long-term borrowings	Kim Michael Jinwoo	January 4, 2031	-	(b)	51,017	-
Lease liabilities	-	April 25, 2026	1.5		1,976,630	-
					2,027,647	41,673

(a) On January 17, 2019, the Company entered into an agreement with Octava Pte. Ltd., where Kim Michael Jinwoo and Park Soyeon were parties to this agreement as guarantors. Under this agreement, a facility was granted by Octava Pte. Ltd. to allow the Company to issue convertible loans up to $20,000,000, bearing interest at a rate of 1.5% per month. This facility is repayable on demand at the option of Octava Pte. Ltd.. On May 31, 2019, a novation agreement was entered into between Octava Fund Limited, Octava Pte. Ltd., the Company, Kim Michael Jinwoo and Park Soyeon, where Octava Pte. Ltd. novated outstanding loan balances of $16,617,728 (inclusive of accrued interest of $617,728) to Octava Fund Limited.

On August 6, 2019, the Company issued additional convertible loans to Octava Fund Limited amounting to $4,000,000 and as a result fully utilised the facility of $20,000,000.

On October 7, 2019, Octava Fund Limited exercised its option to convert the total loan of $20,000,000 into redeemable convertible preference shares of the Company at a rate of $90 per share as part of the Company's "Series C" funding. Upon conversion, accrued interest recognised up to October 7, 2019 amounting to $1,509,986 was waived by the lender and recognised by the Company as a capital contribution. A gain resulting from the derecognition of the option was also recorded as a capital contribution by the shareholder, Octava Fund Limited, on conversion.

On May 22, 2020, Octava Fund Limited converted the full amount of the redeemable convertible preference shares into ordinary shares of the Company (Note 20).

16. Borrowings (continued)

(b) On January 5, 2016, the Company entered into a loan agreement with a related party, Prestige Biologics Co., Ltd, for an interest free term loan facility amounting to SGD1,200,000 (approximately $889,548) which is repayable in full on January 4, 2031. The Company drew down SGD599,960 (approximately $424,450) from this facility during the financial year ended June 30, 2016. No further drawdowns were made subsequently. The Company had initially recorded this loan at its fair value which has been determined by discounting the future contractual cash flows at the current market interest rate that is expected to be available to the Company for a similar loan facility. On December 31, 2019, a novation agreement was signed between the Company, a director of the Company (Kim Michael Jinwoo) and Prestige Biologics Co., Ltd, whereby the parties mutually agreed that the Company shall reimburse the outstanding loan balance that was previously owing to Prestige Biologics Co., Ltd, to the director of the Company directly. All other terms of the original loan agreement signed between the Company and Prestige Biologics Co., Ltd, on January 5, 2016 remain unchanged. As a result of the novation agreement, the Company has been discharged of any liability to Prestige Biologics Co., Ltd and the outstanding loan balance of SGD$599,960 is instead payable to the director of the Company as of June 30, 2020. The loan is carried on the statements of financial position at its amortised cost of $51,017 as at June 30, 2020.

17. Financial liability at fair value through profit or loss

During the previous financial year, the Group entered into a convertible loan (Note 16(a)) which is a hybrid instrument that contains an embedded derivative. The embedded derivative is separated from the host debt component as the economic characteristic and risks of the embedded derivative are not closely related to the economic characteristic and risk of the host debt component.

Upon conversion of the loan to redeemable convertible preference shares, the embedded derivative was derecognised and the gain was recorded as a capital contribution by the shareholder (Note 16(a)).

On October 17, 2019, the Company entered into a share subscription agreement to issue redeemable convertible preference shares which were designated as financial liability at fair value through profit or loss. On May 22, 2020, the fair value of the redeemable convertible preference shares increased to $74,211,100 and a fair value loss of $2,708,440 (Note 24) was recognised in the profit or loss.

(in USD)

Group and Company	**Fair value**
	$
June 30, 2020	
Embedded derivative	-
June 30, 2019	
Embedded derivative	437,800

18. Tax expense

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(in USD)	**2020** **$**	**2019** **$**
Tax expense attributable to results is made up of:		
Current income tax	-	-
Foreign Income tax	82,358	165,012
	82,358	165,012

(in USD)		
Loss before income tax expense	(12,460,287)	(1,109,936)
Tax calculated at 17% (2019: 17%)	(2,118,249)	(188,689)
Tax effects of:		
Different tax rate in other countries	217,864	(1,393)
Income not subject to tax	-	(433,795)
Research and development tax incentives	(3,217,595)	(8,559,833)
Unrecognised deferred tax assets	4,006,951	9,132,495
Expenses not deductible for tax purposes	1,111,029	51,215
Tax deducted at source	82,358	165,012
Income tax expense	82,358	165,012

The Group and Company have unrecognised tax losses, which includes research and development tax incentives, amounting to $83,834,409 and $83,335,770 respectively (2019: $60,336,653 and $59,909,963) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

19. Deferred Income

Group

(in USD)	**2020**	**2019**
	$	**$**
Government grant	192,801	-
Deferred tax incentive income	1,833,814	-
	2,026,615	-
Less: non-current portion	(1,833,814)	-
Current	192,801	-

Company

(in USD)	**2020**	**2019**
	$	**$**
Current		
Government grant	192,801	-

Government grants of $192,801 relating to JSS (Note 10) are deferred and recognised in profit and loss over the period necessary to match them with the costs they are intended to compensate.

As at June 30, 2020, deferred tax incentive income pertains to a tax incentive of $1,833,814 in relation to research and development activities performed in a subsidiary's tax jurisdiction. The tax incentive will be credited to profit or loss over the period in which the related development costs (Note 14.3) are amortised to profit or loss in subsequent reporting periods.

20. Share capital

The Company's total number of ordinary shares issued is 9,187,981 shares (2019: 8,393,507 shares).

All shares issued by the Company were fully paid. Fully paid ordinary shares are ranked equally where they carry one vote per share and carry a right to dividends as and when declared by the Company.

(in USD and in number of shares)		**Number of shares**	**Share capital**
			$
Group and Company			
July 1, 2018		7,868,912	28,198,489
Issuance of shares at $47.66 per share	(a)	524,595	25,000,000
June 30, 2019		8,393,507	53,198,489
July 1, 2019		8,393,507	53,198,489
Issuance of shares at $90 per share	(b)	794,474	74,211,100
Redenomination of share capital	(c)	-	(167,631)
June 30, 2020		9,187,981	127,241,958

20. Share capital (continued)

(a) On January 31, 2019, Octava Pte Ltd exercised its right to convert the loan into ordinary shares of the Company. The Company issued 524,595 shares pursuant to the $25,000,000 convertible loan from Octava Pte Ltd at the exercise price of $47.66 per share.

(b) On October 17, 2019, the Company entered into a share subscription agreement with KB-SP Private Equity Fund IV, KBTS Technology Venture Private Equity Fund, Octava Fund Limited, Vulcan Venture Investment Holdings Pte. Ltd. and CQ Capital Pte. Ltd. (the "lenders"), to issue 794,474 redeemable convertible preference shares amounting to $71,502,660 at an issue price of $90 per share as part of the Company's "Series C" funding. The consideration for these preference shares, excluding the amount of the convertible loan that was directly converted to these preference shares as disclosed under Note 16(a), amounted to $51,502,660. As set out in the share subscription agreement, these preference shares are convertible into ordinary shares at a ratio of 1:1. On May 22, 2020, the fair value of the redeemable convertible preference shares increased to $74,211,100 and a fair value loss of $2,708,440 (Note 24) was recognised in the profit or loss. The shareholders converted all of the 794,474 redeemable convertible preference shares to ordinary shares of the Company. The newly issued shares rank pari passu in all aspects with the previously issued shares.

(c) On March 13, 2020, the Company converted its SGD denominated share capital to $ at a rate of $1: SGD 1.3968. The Company's share capital amounting to SGD 6,608,062 was redenominated to $4,730,858. As a result of this transaction, the Company recorded a gain of $167,631 in capital contribution.

21. Other comprehensive income and other components of equity

Changes in other comprehensive income for the years ended June 30, 2020 and 2019, are as follows:

(in USD)	**Beginning balance $**	**Increase $**	**Reclassification to profit or loss $**	**Ending balance $**
Group				
2020				
Currency translation differences	99,766	105,958	-	205,724
2019				
Currency translation differences	1,877	97,889	-	99,766

Changes in other comprehensive income are net of tax.

Other components of equity of the Group and the Company as at June 30, 2020 and 2019, consists of:

(in USD)	Note	**2020 $**	**2019 $**
Group			
Capital contribution	(a)	5,549,899	2,784,546
Translation reserve		205,724	99,766
		5,755,623	2,884,312
Company			
Capital contribution	(a)	5,549,899	2,784,546

(a) Capital contribution

(in USD)	**2020 $**	**2019 $**
Group and Company		
Beginning of financial year	2,784,546	1,327,763
Waiver of interest	1,509,986	1,456,783
Waiver of amount due to directors	649,936	-
Redenomination of share capital (Note 20(c))	167,631	-
Gain on settlement of financial liability upon conversion to redeemable convertible preference shares	437,800	-
End of financial year	5,549,899	2,784,546

21. Other comprehensive income and other components of equity (continued)

Capital contribution reserve includes the waiver of loan interest liability by a shareholder and waiver of liabilities due to directors.

On January 31, 2019, shareholder Octava Pte. Ltd. exercised their option to convert their loan of $25,000,000 into shares of the Company. Upon conversion, the shareholder had waived all outstanding accrued interest owing by the Company.

On October 17, 2019, shareholder Octava Fund Limited exercised their option to convert their loan of $20,000,000 into shares of the Company. Upon conversion, the shareholder had waived all outstanding accrued interest owing by the Company (Note 16(a)).

On June 30, 2020, two directors of the Company waived the loan owing by the Company to them amounting to $649,936.

During the financial year ended June 30, 2019, the Company had recognised the fair value of the embedded derivative of the convertible loan amounting to $437,800. Upon conversion of the loan into shares of the Company, the fair value of the embedded derivative was recognised as a capital contribution.

22. Accumulated losses

The movement in accumulated losses for the years ended June 30, 2020 and 2019 is as follows:

(in USD)	**2020**	**2019**
	$	**$**
Group		
Accumulated losses brought forward	5,689,003	4,414,055
Loss for the year	12,542,645	1,274,948
Accumulated losses carried forward	18,231,648	5,689,003

(in USD)	**2020**	**2019**
	$	**$**
Company		
Accumulated losses brought forward	5,686,218	4,401,067
Loss for the year	12,270,782	1,285,151
Accumulated losses carried forward	17,957,000	5,686,218

23. Revenue contract with customers

(a) The Group and Company recognises revenue from license fees as follows:

(in USD)	2020 $	2019 $ (restated)
Korea		
License fee – right to use	-	1,840,000

(b) Contract liabilities

(in USD)	June 30, 2020 $	June 30, 2019 $ (restated)	July 1, 2019 $
License fee – Distribution rights	7,650,000	9,450,000	1,000,000

Contract liabilities relate to upfront license fees for distribution rights granted and milestone payments received prior to regulatory approval on products. The contract liabilities decreased as a result of a refund as well as the recognition of upfront license fees in relation to an option that was forfeited by a customer during the current financial year (Note 26(ii)).

Management expects the transaction price of $7,650,000 allocated to the unsatisfied performance obligations as at June 30, 2020 to be recognised as revenue after 12 months from June 30, 2020 up to the financial year ended June 30, 2030.

(c) Trade receivables from contract with customers

(in USD)	June 30, 2020 $	June 30, 2019 $	July 1, 2019 $
Current assets			
Trade receivables	920,000	8,190,000	1,000,000

24. Other (losses)/gains

Details of other gains and losses for the years ended June 30, 2020 and 2019, are as follows:

(in USD)	2020 $	2019 $
Currency exchange gains/(losses) - net	48,408	(114,950)
Gain on conversion of redeemable convertible preference shares to ordinary shares (Note 8)	-	1,513,132
Fair value loss on financial liability at fair value through profit or loss (Note 17)	-	(41,400)
Fair value (loss)/gain on financial asset at fair value through profit or loss (Note 8)	(501,666)	1,080,005
Gain on disposal of right-of-use assets	2,018	-
Loss on revaluation of redeemable convertible preference shares (Note 17)	(2,708,440)	-
	(3,159,680)	2,436,787

25. Employee compensation

(in USD)	**2020** **$**	**2019** **$**
Wages and salaries	2,486,852	1,387,254
Employer's contribution to defined contribution plan	237,496	118,510
	2,724,348	1,505,764

Employee compensation amounting to $887,916 (2019: $321,994) pertain to wages and salaries incurred in relation to research and development activities.

26. Other income

(in USD)	**2020** **$**	**2019** **$**
Government grants (i)	145,028	24,946
Forfeiture of non-refundable upfront fees from customer (ii)	1,000,000	-
Others	61,246	116,388
	1,206,274	141,334

(i) Included in the government grants in the current year is $129,629 which relates to the JSS (Note 10).

(ii) In the previous financial year, a customer paid upfront fees for an option to exercise the right to distribute the Group's products in certain countries. Out of the upfront fees received by the Group, $1,000,000 was forfeited in the current financial year as the customer decided not to exercise the option (Note 23).

(iii) During the year, the Group received rent concessions relating to COVID-19 pandemic amounting to $1,796. The Group has early adopted the amendment to FRS 116 – COVID-19-Related Rent Concessions and applied the practical expedient not to assess whether the rent concessions relating to the COVID-19 pandemic are lease modifications at the date of initial application.

27. Finance income and costs

(in USD)	**2020**	**2019**
	$	$
Finance income		
Interest from loans to a related party	316,350	191,150
Interest from financial institutions	121,090	-
	437,440	191,150
Finance costs		
Interest expense:		
Convertible loans	892,258	2,409,451
Lease liabilities	255,608	-
Others	9,344	7,402
	1,157,210	2,416,853
Less: Amount capitalised in intangible asset	(1,157,210)	(2,416,853)
Amount recognised in profit or loss	-	-

Finance expenses on general financing were capitalised at a rate of 18% per annum (2019: 24% per annum) (Note 14.1 and Note 14.3).

28. Commitments

The Group and Company leases an office and automobile under a non-cancellable operating lease agreement. Total minimum lease payments in relation to non-cancellable operating leases that are payable as at June 30, 2019 are as follows:

<u>**Group and Company**</u>	**2019**
	$
Total lease payments	
Within one year	180,096
Later than one year but not later than five years	63,885
	243,981

As disclosed in Note 2.2, the Group and Company has adopted FRS 116 on July 1, 2019. These lease payments have been recognised as ROU assets and lease liabilities on the statements of financial position as at June 30, 2020, except for short-term and low value leases.

29. Related party transactions

Interests in subsidiaries as at June 30, 2020 and 2019, are as follows

	Percentage of ownership (%)	
	2020	**2019**
Prestige Biopharma Belgium BVBA	100 %	100 %
Prestige Biopharma Australia Pty Ltd	100 %	100 %

Details of other related parties that have transactions with the Group or have outstanding balances as at June 30, 2020 and 2019, are as follows:

June 30, 2020	June 30, 2019	Relationship
Qion Pte Ltd	Qion Pte Ltd	A Director-related Company
Prestige Biologics Co., Ltd[1]	Prestige Biologics Co., Ltd[1]	A Director-related Company
Octava Fund Limited[2]	Octava Fund Limited[2]	Shareholder
Park Soyeon	Park Soyeon	Director and shareholder
Kim Michael Jinwoo	Kim Michael Jinwoo	Director and shareholder
-	Octava Biotech Pte Ltd	Shareholder
Octava Pte Ltd	Octava Pte Ltd	Shareholder
KB-SP PE Fund IV[3]	-	Shareholder
KBTS Technology Venture PE Fund[4]	-	Shareholder

1. As at June 30, 2020, the Group holds 4.0% (June 30, 2019: 4.0%) shareholdings in Prestige Biologics Co., Ltd.

2. During the year ended June 30, 2020, the Group issued 198,888 redeemable convertible preference shares to Octava Fund Limited at $90 per share upon conversion of loan to equity. The RCPS were subsequently converted to ordinary shares at a 1:1 ratio.

3. During the year ended June 30, 2020, the Group issued 361,141 redeemable convertible preference shares to KB-SP Private Equity Fund IV at $90 per share. The RCPS were subsequently converted to ordinary shares at a 1:1 ratio.

4. During the year ended June 30, 2020, the Group issued 27,779 redeemable convertible preference shares to KBTS Technology Venture PE Fund at $90 per share. The RCPS were subsequently converted to ordinary shares at a 1:1 ratio.

29. Related party transactions (continued)

Transactions with related parties for the years ended June 30, 2020 and 2019 are as follows:

(in USD)		2020									
Group and Company		**Trade and other receivables transactions**	**Borrowing transactions**							**Equity transaction**	**Trade payable transactions**
Relationship	**Name of entity**	**Receivables $**	**Settlement of financial liabilities at fair value through profit or loss $**	**Issuance of redeemable convertible preference shares $**	**Conversion of loan to equity $**	**Drawdown of borrowings**	**Novation of borrowings $**	**Interest accrued $**	**Waiver of interest $**	**Conversion of redeemable convertible preference shares to ordinary shares**	**Purchase $**
Director-related company	Qion Pte Ltd	297,614	-	-	-	-	-	-	-	-	(178,434)
	Prestige Biologics Co., Ltd	320,000	-	-	-	-	424,450	-	-	-	(2,759,831)
Shareholder	Octava Fund Limited	-	437,800	(17,899,920)	17,900,000	(4,000,000)	-	(892,258)	1,509,986	18,577,949	-
	KB-SP PE Fund IV	-	-	(32,502,690)	-	-	-	-	-	33,733,855	-
	KBTS Technology Venture PE Fund	-	-	(2,500,110)	-	-	-	-	-	2,594,811	-
Director	Kim Michael Jinwoo	-	-	-	-	-	(424,450)	-	-	-	-

Prestige Biopharma Limited and subsidiaries
Notes to the Financial Statements
For the financial year ended June 30, 2020

29. Related party transactions (continued)

(in USD)

		2019					
Group and Company		**Trade and other receivables transactions**		**Borrowing transactions**		**Conversion of loan to equity**	**Trade payable transactions**
Relationship	**Name of entity**	**Revenue $**	**Other receivables $**	**Financial liabilities at fair value through profit or loss $**	**Borrowings $**	**Conversion $**	**Purchase $**
Director-related company	Qion Pte Ltd	-	2,154,853	-	-	-	(1,118,439)
Director-related company	Prestige Biologics Co., Ltd	840,000	-	-	(7,402)	-	2,473,829
Shareholder	Octava Fund Limited	-	-	(437,800)	(16,617,728)	-	-
Shareholder	Octava Biotech Pte Ltd	-	-	-	(20,395,323)	25,000,000	-

The allowance for impairment on loans to related parties is set out in Note 9.

Key management include the Directors. The compensation paid or payable to key management for employee services for the years ended June 30, 2020 and 2019, consists of:

(in USD)	**2020 $**	**2019 $**
Group and Company		
Directors' remuneration	671,963	580,473
Contributions to defined benefit plan	26,392	30,710
	698,355	611,183

30. Losses per share

Basic losses per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(a) Basic losses per share

(in USD)	**2020** **$**	**2019** **$**
Losses attributable to the ordinary equity holders of the Company	(12,542,645)	(1,274,948)
Weighted average number of ordinary shares outstanding	8,503,569	8,084,499
Basic and diluted losses per share	1.47	0.16

(b) Diluted losses per share

As at June 30, 2020, there are no potential dilutive ordinary shares in issue.

In the previous financial year, the Group's only category of potentially dilutive ordinary shares were convertible bonds. These potential dilutive ordinary shares were excluded from the calculation of the diluted weighted average number of ordinary shares, as their effect was anti-dilutive.

Therefore, in the current and previous financial year, basic losses per share is identical to diluted losses per share.

31. Operating Segment Information

The Group's chief operating decision-makers comprises the Chief Executive Officer and the Senior Director of the Company. Management had determined the operating segments based on the reports reviewed by management that are used to make strategic decisions, allocate resources and assess performance.

As of June 30, 2020, the Group's key focus remains to be on the development of its pharmaceutical products and as such management manages and monitors the business for the Group as single business segment. Management assesses the performance of the operating segment based on the profit/loss before tax of the Group.

The amounts reported to the management with respect to profit/loss before tax, total asset and total liabilities are measured in a manner consistent with that of the consolidated financial statements.

(i) Geographical information

The Group's revenue by geographical area is disclosed under Note 23.

31. Operating Segment Information (continued)

(ii) Carrying amount of non-current assets by geographical markets at June 30, 2020 and 2019 are as follows:

(in USD)	Non-current assets	
	2020	**2019**
	$	$
Korea	7,536,265	8,037,931
Singapore	84,315,740	63,468,691

Non-current assets information presented above consist of property, plant and equipment, intangible assets, financial assets at fair value through profit or loss and other assets (2019: property, plant and equipment, intangible assets, financial assets at fair value through profit or loss, trade and other receivables and other assets) as presented in the consolidated statement of financial position.

32. Restatement of prior year comparatives

The Company receives upfront license fees for distribution rights granted and milestone payments received prior to regulatory approval (“upfront license fees”) as part of its distribution agreements entered into with its customers (Note 23). In addition, as a result of the collaboration agreement that the Company entered into with Prestige Biologics Co., Ltd (formerly known as Prestige Biopharmaceuticals Co., Ltd) (Note 9(i)), the Company is contractually obligated to share 16% of these amounts received from customers with Prestige Biologics Co., Ltd.

In the previous financial year, the Company recorded the amount received from customers in relation to the upfront license fees net of the amount paid or payable to Prestige Biologics Co., Ltd as contract liabilities on its statement of financial position.

In addition, revenue earned from customers in the previous financial year was recorded at the amount received from customers net of the amount paid or payable to Prestige Biologics Co., Ltd.

During the current financial year, the Company reexamined the terms of its agreements with customers and determined that the contract liabilities and revenue from customers should be recorded on a gross basis as the Company acts as the principal in its arrangements with its customers.

As a consequence, prior year comparatives have been restated to record contract liabilities and revenue and the corresponding expenses under the collaboration agreement with Prestige Biologics Co., Ltd. on a gross basis.

This restatement has no impact on the Group and Company’s statement of financial position as at July 1, 2018.

32. Restatement of prior year comparatives (continued)

The effects of the restatement made to the comparative financial statements are as follows:

Group
As at June 30, 2019

(in USD)	Note	As previously reported $	Adjustments $	As restated $
Consolidated Statement of Financial Position				
Other assets	10	704,584	1,512,000	2,216,584
Contract liabilities	23	7,938,000	1,512,000	9,450,000
For the year ended June 30, 2019				
Consolidated Statement of Comprehensive Income				
Revenue	23	1,680,000	160,000	1,840,000
Expenses in relation to collaboration agreement		-	160,000	160,000
Consolidated Statement of Cash Flows				
Changes in working capital:				
Increase in trade and other receivables		(1,676,595)	(5,500,000)	(7,176,595)
Increase in other assets		(419,873)	(1,512,000)	(1,931,873)
Increase in contract liabilities		1,438,000	7,012,000	8,450,000

Company
As at June 30, 2019

(in USD)	Note	As previously reported $	Adjustments $	As restated $
Statement of Financial Position – Company				
Other assets	10	674,053	1,512,000	2,186,053
Contract liabilities	23	7,938,000	1,512,000	9,450,000

33. Authorisation of financial statements

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Prestige Biopharma Limited on November 3, 2020.