BORA PHARMACEUTICAL Co., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT AUDITORS

FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

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The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail

Independent Auditors' Report

To BORA PHARMACEUTICALS CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of BORA PHARMACEUTICALS CO., LTD. (the "Company") as of 31 December 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2021 and 2020 and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2021 and 2020, and parent company only financial performance and cash flows for the years ended 31 December 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

As of 31 December 2021, the Company's net inventories amounted to NT$47,937 thousand, and constituted 1% of total assets, which were material to the parent company only financial statements. Considering the market demand and possible sales, management evaluated the obsolescence of raw materials, work in progress, and semi-finished goods by inventory aging.

Since the expiration date would affect sales of inventories, management evaluated the obsolescence of merchandise inventory and finished goods based on the expiration date of the goods. Due to the complexity in calculating the net realizable value of inventory, we therefore determined allowance for inventory valuation losses as a key audit matter.

Our audit procedures included, but were not limited to, the following: understanding and testing the effectiveness of internal controls over inventory established by management; assessing the net realizable value used for valuation estimated by management, including testing the accuracy of inventory aging and expiration date on a sampling basis, observing the physical count to confirm the quantity and status of the inventory, and analyzing the inventory movement; considering the market demand and evaluating the analysis and assessment of slow-moving and obsolete inventory made by management, including the possibility of the sales of inventory and the net realizable value estimations; and recalculating the allowance for inventory valuation loss. We also considered the appropriateness of the disclosure of inventories in Notes V and VI to the parent company only financial statements.

Revenue Recognition

For the year ended 31 December 2021, the Company recognized NT$456,449 thousand as revenues, mainly coming from CDMO, rendering services, prescription drug distribution and consumer healthcare products. As timing of revenue recognition varies among contract terms with customers, which involved management's significant judgment, we have determined this as a key audit matter.

Our audit procedures included, but were not limited to, the following: evaluating the appropriateness of the management's accounting policies for revenue recognition; understanding the transaction processes for revenue recognition when fulfilling identified performance obligations; evaluating and testing the effectiveness of the design and implementation of internal controls over the timing of revenue recognition when fulfilling performance obligations; performing analytical procedures for the top ten clients; selecting samples to perform test of details to confirm the appropriateness of the timing of revenue recognition when fulfilling performance obligations; performing revenue cut-off testing for a period before and after the balance sheet date by tracing to relevant supporting documents to verify that revenue has been recognized in correct periods; investigating and understanding the cause and nature of significant sales returns for a period after the balance sheet date; and conducting journal entries testing.

We also evaluated the disclosures of revenue recognition. Please refer to Notes IV and VI to the parent company only financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. 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 parent company only 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hong, Guo Sen

Lin, Li Huang

Ernst & Young, Taiwan

9 March 2022

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of 31 December, 2021 and 2020

Unit: Thousands of New Taiwan Dollars

ASSETS	Notes	31 Dec. 2021	31 Dec. 2020
Current assets			
Cash and cash equivalents	IV&VI.1	$183,295	$98,813
Notes receivable, net	IV&VI.2.16	24,316	23,143
Notes receivable-related party, net	IV&VI.2.16&VII	2,233	-
Accounts receivable, net	IV&VI.3.16	66,527	68,891
Accounts receivable-related parties, net	IV&VI.3.16&VII	99,472	18,136
Other receivables		2,289	2,064
Other receivables-related parties	VI.6&VII	393,704	954,494
Current tax assets	IV&VI.21	6,906	7,796
Inventories, net	IV&VI.4	47,937	46,798
Prepayments		11,025	20,415
Other current assets	VI.5	27,852	39,773
Total current assets		865,556	1,280,323
Non-current assets			
Investments accounted for using equity method	IV&VI.6	2,193,340	1,306,720
Property, plant and equipment	IV&VI.7&VIII	1,112,663	1,038,833
Right-of-use assets	IV&VI.17	-	1,661
Investment properties, net	IV&VI.8	25,006	25,839
Intangible assets	IV	2,779	2,801
Deferred tax assets	IV&VI.21	20,037	1,424
Prepayment for equipments		3,472	45,156
Refundable deposits		775	2,373
Total non-current assets		3,358,072	2,424,807
Total assets		$4,223,628	$3,705,130

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of 31 December, 2021 and 2020

Unit: Thousands of New Taiwan Dollars

LIABILITIES AND EQUITY	Notes	31 Dec. 2021	31 Dec. 2020
Current liabilities			
Short-term loans	IV&VI.9	$95,000	$520,000
Contract liabilities, current	VI.15&VII	389	385
Notes payable		-	256
Notes payable-related party	IV&VII	7,596	-
Accounts payable		14,820	7,105
Accounts payable-related parties	IV&VII	39,385	26,850
Other payables	IV&VI.10	91,383	79,726
Other payables-related parties	IV&VII	7,999	4,000
Income tax payable	IV&VI.21	13,073	-
Lease liabilities, current	IV&VI.17	-	1,253
Current portion of long-term loans	IV&VI.11	38,304	3,423
Other current liabilities		1,066	2,417
Total current liabilities		309,015	645,415
Non-current liabilities			
Long-term loans	IV&VI.11	595,696	530,577
Deferred tax liabilities	IV&VI.21	164,840	62,191
Lease liabilities, noncurrent	IV&VI.17	-	422
Other noncurrent liabilities-others		1,536	1,761
Total non-current liabilities		762,072	594,951
Total liabilities		1,071,087	1,240,366
Equity attributable to the parent company			
Capital	VI.13		
Common stock		684,123	541,154
Advance receipts for ordinary shares		660	-
Capital surplus	VI.13	1,025,985	951,647
Retained earnings	VI.13		
Legal reserve		141,462	83,619
Special reserve		4,900	5,071
Unappropriated earnings		1,319,331	872,322
Subtotal		1,465,693	961,012
Other equity	VI.13	(23,920)	10,951
Total equity		3,152,541	2,464,764
Total liabilities and equity		$4,223,628	$3,705,130

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD.

PARENT COMPANY ONLY STATEMENT OF COMPREHENSIVE INCOME

From January 1 to December 31, 2021 and 2020

Unit: Thousands of New Taiwan Dollars

	Notes	2021	2020
Operating revenue	IV&VI.15&VII	$456,449	$389,794
Operating costs	IV&VI.4.14.18&VII	(360,267)	(295,823)
Gross profit		96,182	93,971
Unrealized gross profit on sales to subsidiaries		(1,877)	-
Realized gross profit on sales to subsidiaries		476	476
Gross profit,net		94,781	94,447
Operating expenses			
Sales and marketing expenses	IV&VI.14.16.17. 18&VII	(27,436)	(29,096)
General and administrative expenses		(144,540)	(124,167)
Research and development expenses		(21,845)	(18,592)
Total operating expenses		(193,821)	(171,855)
Operating loss		(99,040)	(77,408)
Non-operating income and expenses			
Other revenue	VI.19&VII	32,930	53,021
Other gains and losses	VI.19&VII	(9,339)	6,412
Financial costs	VI.19&VII	(10,995)	(9,199)
Share of profit of associates and joint ventures accounted for using the equity method	VI.6	938,256	607,863
Total non-operating income and expenses		950,852	658,097
Net income before income tax		851,812	580,689
Income tax expense	VI.21	(102,076)	(2,263)
Net income		749,736	578,426
Other comprehensive income			
Components of other comprehensive income that will not be reclassified to profit or loss			
Remeasurements gain of defined benefit plans for subsidiary, net of tax	VI.20	4,535	-
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of foreign operations	VI.20	(24,837)	6,517
Share of profit (loss) of associates and joint ventures accounted for using equity method	VI.20	(19,536)	10,808
Income tax related to items to be reclassified subsequently to profit or loss	VI.20	4,967	(1,303)
Total other comprehensive income, net of tax		(34,871)	16,022
Total comprehensive income		$714,865	$594,448
Earnings per share (NTD)	IV&VI.22		
Earnings per share-basic		$11.04	$8.63
Earnings per share-diluted		$11.01	$8.57

(The accompanying notes are an integral part of the parent company only financial statements.)

BORA PHARMACEUTICALS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

From January 1 to December 31, 2021 and 2020

Unit: Thousands of New Taiwan Dollars

Items	Share Capital		Capital Surplus	Retained Earnings			Other equity			Treasury stock	Total
	Common Stock	Advance receipts for ordinary shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized (loss) on financial assets at fair value through other comprehensive income	Premeasurements gain of defined benefit plans for subsidiary		
Balance as of 1 January 2020	$394,272	$-	$676,232	$53,116	$224,250	$313,356	$(171)	$(4,900)	$-	$(2,404)	$1,653,751
Appropriation and distribution of 2019 retained earning											
Legal Reserve	-	-	-	30,503	-	(30,503)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(83,254)	-	-	-	-	(83,254)
Stock dividends	124,882	-	-	-	-	(124,882)	-	-	-	-	-
Reversal of Special Reserve	-	-	-	-	(219,179)	219,179	-	-	-	-	-
Net income for the year ended 31 December 2020	-	-	-	-	-	578,426	-	-	-	-	578,426
Other comprehensive income for the year ended 31 December 2020	-	-	-	-	-	-	16,022	-	-	-	16,022
Total comprehensive income	-	-	-	-	-	578,426	16,022	-	-	-	594,448
Issuance of common stock for cash	22,000	-	246,705	-	-	-	-	-	-	-	268,705
Share-based payment transactions	-	-	28,710	-	-	-	-	-	-	2,404	31,114
Balance as of 31 December 2020	$541,154	$-	$951,647	$83,619	$5,071	$872,322	$15,851	$(4,900)	$-	$-	$2,464,764
Balance as of 1 January 2021	$541,154	$-	$951,647	$83,619	$5,071	$872,322	$15,851	$(4,900)	$-	$-	$2,464,764
Appropriation and distribution of 2020 retained earnings											
Legal Reserve	-	-	-	57,843	-	(57,843)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(109,766)	-	-	-	-	(109,766)
Stock dividends	135,289	-	-	-	-	(135,289)	-	-	-	-	-
Reversal of Special Reserve	-	-	-	-	(171)	171	-	-	-	-	-
Net income for the year ended 31 December 2021	-	-	-	-	-	749,736	-	-	-	-	749,736
Other comprehensive income for the year ended 31 December 2021	-	-	-	-	-	-	(39,406)	-	4,535	-	(34,871)
Total comprehensive income	-	-	-	-	-	749,736	(39,406)	-	4,535	-	714,865
Share-based payment transactions– exercise of stock options	-	660	3,656	-	-	-	-	-	-	-	4,316
Share-based payment transactions– stock based compensations	-	-	12,465	-	-	-	-	-	-	-	12,465
Share-based payment transactions– conversion of stock options	7,680	-	54,912	-	-	-	-	-	-	-	62,592
Share-based payment transactions– stock options issued to foreign subsidiaries	-	-	3,305	-	-	-	-	-	-	-	3,305
Balance as of 31 December 2021	$684,123	$660	$1,025,985	$141,462	$4,900	$1,319,331	$(23,555)	$(4,900)	$4,535	$-	$3,152,541

(The accompanying notes are an integral part of the parent company only financial statements.)

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BORA PHARMACEUTICALS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2021 and 2020

Unit: Thousands of New Taiwan Dollars

Items	2021	2020
Cash flows from operating activities:		
Net income before income tax	$851,812	$580,689
Adjustments for:		
Income and expense adjustments:		
Depreciation	21,408	19,661
Amortization	1,464	555
Net (gain) on financial assets or liabilities measured at fair value through profit or loss	-	(83)
Interest expense	10,995	9,199
Interest revenue	(9,413)	(5,600)
Share-based payment expenses	12,465	28,710
Share of profit of associates and joint ventures accounted for using the equity method	(938,256)	(607,863)
Loss on disposal of property, plant and equipment	1,991	91
Loss (gain) on disposal of other assets	(14)	-
Unrealized (gain) from inter-affiliate accounts	1,877	-
Realized (gain) from inter-affiliate accounts	(476)	(476)
Total income and expense adjustments:	(897,959)	(555,806)
Changes in operating assets and liabilities:		
Notes receivable, net	(1,173)	(3,867)
Notes receivable-related party, net	(2,233)	3,564
Trade receivables, net	2,364	15,209
Trade receivables-related parties, net	(81,336)	(5,165)
Other receivables	(225)	1,901
Other receivables-related parties	(6,530)	(4,033)
Inventories	(1,139)	12,976
Prepayments	9,390	(7,441)
Other current assets	11,921	1,439
Contract liabilities	4	(300)
Notes payable	(256)	(801)
Notes payable-related party	7,596	(4,115)
Accounts payable	7,715	388
Accounts payable-related parties	12,535	(5,679)
Other payables	11,903	9,063
Other payables-related parties	3,999	1,357
Other current liabilities	(1,351)	1,684
Cash generated from operations	(72,963)	41,063
Interest received	9,413	5,600
Income tax paid	890	(6,847)
Net cash (used in) provided by operating activities	(62,660)	39,816

Items	2021	2020
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	-	60,097
Acquisition of investments accounted for using equity method	(1,100)	(263,969)
Acquisition of property, plant and equipment	(96,478)	(9,663)
Disposal of property, plant and equipment	82	2
Decrease in refundable deposits	1,598	973
Increase in other receivables-related parties	(9,029)	(374,250)
Decrease in other receivables-related parties	576,349	68,447
Acquisition of intangible assets	(1,442)	(2,812)
Increase in prepayment for equipments	-	(44,327)
Decrease in prepayment for equipments	41,684	-
Dividends received	14,802	2,870
Net cash provided by (used in) investing activities	526,466	(562,632)
Cash flows from financing activities:		
Increase in short-term loans	-	345,000
Decrease in short-term loans	(425,000)	-
Proceed from long-term loans	100,000	-
Repayment of long-term loans	-	(45,149)
Principal payment of lease liabilities	-	(1,236)
Decrease in other current liabilities	(225)	-
Cash dividends	(109,766)	(83,254)
Proceeds from issuance of common stock	-	268,705
Employees stock options exercised	66,908	-
Treasury stock sold to employees	-	2,404
Interest paid	(11,241)	(8,870)
Net cash (used in) provided by financing activities	(379,324)	477,600
Net increase (decrease) in cash and cash equivalents	84,482	(45,216)
Cash and cash equivalents at beginning of period	98,813	144,029
Cash and cash equivalents at end of period	$183,295	$98,813

(The accompanying notes are an integral part of the parent company only financial statements.)

I. History and organization

(1) BORA PHARMACEUTICALS CO., LTD. ("the Company") was incorporated in Republic of China ("R.O.C.") on 14 June 2007, for which the Company's initial name 'Bora International Co., LTD.' was used until it was renamed in June 2013. The Company's initial registered office and principal place of business was at Sing'ai Rd., Neihu Dist., Taipei City, Republic of China (R.O.C.), and then relocated to 6F., No. 2, Aly. 36, Ln. 26, Ruiguang Rd., Neihu District, Taipei City, Republic of China (R.O.C.) on 2 February 2021. The main activities of the Company focus on manufacturing and selling generic, brand, and over-the-counter (OTC) drugs, contract development and manufacturing (CDMO), developing and selling consumer healthcare products.

(2) The Company's common shares were publicly listed on the GTSM ESB on 1 October 2014, and then began trading at Taipei Exchange (TPEx) on 19 April 2017.

II. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements of the Company ("the Company") for the years ended 31 December 2021 and 2020 were authorized for issue by the Board of Directors on 9 March 2022.

III. Newly issued or revised standards and interpretations

1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2021. The Company determined that the new standards and amendments had no material impact on the Company.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

(a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1
The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2022. The standards and interpretations have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(a) IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 *Insurance Contracts* – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company determined that the new or amended standards and interpretations have no material impact on the Company.

IV. Summary of significant accounting policies

1. Statement of compliance

The parent company only financial statements of the Company for the years ended 31 December 2021 and 2020 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

3. Foreign currency transactions

The Company’s parent company only financial statements are presented in NT$, which is also the Company’s functional currency.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:
(a) Exchange differences arising from foreign currency borrowings for an acquisition of a

qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

4. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

(b) when the retained interest after the partial disposal of an interest in a joint arrangement or partial disposal of an interest in an associate that includes a foreign operation is financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

5. Classification of current and non-current assets and liabilities

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

(b) The Company holds the asset primarily for the purpose of trading
(c) The Company expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering

both factors below:
A. the Company’s business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable (including related party), accounts receivable (including related parties), and other receivables (including related parties) etc., on balance sheets at the reporting date:
A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
A. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
   (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposing of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income in the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheets as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from the remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial asset measured at amortized cost.

The Company measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
B. the time value of money
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

<u>Financial liabilities</u>

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

<u>Financial liabilities measured at amortized cost</u>

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

8. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a weighted average basis
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Costs are calculated on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

10. Investments accounted for using the equity method

The Company presented the investment of subsidiaries as " investments accounted for using the equity method" in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments. The adjustments mainly consider the treatment of the investments in subsidiaries in accordance with IFRS 10 *Consolidated Financial Statements* and the difference of adopting International Financial Reporting Standards by different entities. The adjustments may debit or credit accounts such as: "investments accounted for using the equity method", "share of profit of associates and joint ventures accounted for using the equity method" ,or "share of other comprehensive income of associates and joint ventures accounted for using the equity method."

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statements of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:
(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

11. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	3～50 years
Machinery and equipment	2～16 years
Testing equipment	3～10 years
Transportation equipment	5～ 6 years
Office equipment	3～10 years
Leasehold improvements	5～10 years
Other equipment	2～16 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

12. Investment properties

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing Investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	30 years

Investment properties are derecognized when either they have been disposed of or when the Investment properties is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of Investment properties and there is evidence of the change in use.

13. Leases

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

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liabilities for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liabilities at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liabilities comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liabilities on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liabilities by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liabilities;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheets and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheets and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

14. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

<u>Research and development costs</u>

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

i) The technical feasibility of completing the intangible asset so that it will be available for use or sale
ii) Its intention to complete and its ability to use or sell the asset
iii) How the asset will generate future economic benefits
iv) The availability of resources to complete the asset
v) The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

A summary of the policies applied to the Company's intangible assets is as follows:

Category	Software	Exclusive technology
Useful lives	1 to 5 years	5 years
Amortization methods	Straight line method	Straight line method

15. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

16. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

17. Treasury stock

The buyback of the Company's own common stock for treasury stock is recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

18. Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and CDMO services. The accounting policies are explained as follow:

Sale of goods

Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is prescription drugs and consumer healthcare products. Revenue is recognized based on the consideration stated in the contracts.

For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivable. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contracts. However, for some contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the products subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arose.

CDMO

The Company provides pharmaceutical drugs manufacturing services, in which the production is based on the terms of the agreements. Sales are recognized at the amount of contractual price when control of the goods is transferred to the customers and the goods are delivered to the customers.

19. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

20. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee in R.O.C. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company’s parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

21. Shared-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

22. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or 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. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

23. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.
Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

V. Significant accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Revenue recognition
For some toll manufacturing or dealer contracts, the Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e., the Company is a principal), to undertake inventory risks, and to directly make a pricing freely. The judgement of principal and agent would affect the Company's recognized revenue.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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) Inventory valuation

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

(b) Accounts receivable–estimation of impairment loss

The Company estimates the impairment loss of accounts receivable at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note VI.

VI. Contents of significant accounts

1. Cash and cash equivalents

	31 December 2021	31 December 2020
Cash on hand	$216	$216
Demand deposits	183,079	98,597
Total	$183,295	$98,813

2. Notes receivable, net and notes receivable – related party, net

	31 December 2021	31 December 2020
Notes receivable, gross	$24,316	$23,143
Less: loss allowance	-	-
Subtotal	24,316	23,143
Notes receivable from related party, gross	2,233	-
Less: loss allowance	-	-
Subtotal	2,233	-
Total	$26,549	$23,143

Notes receivable were not overdue and not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note VI.16 for more details on loss allowance and Note XII for details on credit risk.

3. Accounts receivable, net and accounts receivable-related parties, net

	31 December 2021	31 December 2020
Accounts receivable, gross	$66,547	$68,918
Less: loss allowance	(20)	(27)
Subtotal	66,527	68,891
Accounts receivable from related parties, gross	99,472	18,136
Less: loss allowance	-	-
Subtotal	99,472	18,136
Total	$165,999	$87,027

(1) Accounts receivable were not pledged.

(2) The terms of accounts receivable are generally on 30~120-days. The total carrying amount as of 31 December 2021 and 31 December 2020 were NT$166,019 thousand and NT$87,054 thousand, respectively. Please refer to Note VI.16 for more details on loss allowance of accounts receivable for the years ended 31 December 2021 and 2020. Please refer to Note XII for more details on credit risk management.

4. Inventories, net

(1) Details on net inventories are as follows:

	31 December 2021	31 December 2020
Raw materials	$2,007	$8,846
Supplies & parts	1,470	1,037
Work in progress	8,170	8,771
Semi-finished goods	1,448	901
Finished goods	8,373	8,464
Merchandise	26,469	18,779
Total	$47,937	$46,798

(2) Details on cost of goods recognized as operating costs are as follows:

	For the year ended 31 December	
	2021	2020
Cost of goods sold	$357,163	$296,490
(Loss) from physical count	(171)	(120)
Write-down of inventories/(reversal) of write-down of inventories	3,275	(547)
Total	$360,267	$295,823

(3) The cost of inventories recognized in expenses amounted to NT$360,267 thousand and NT$295,823 thousand for the years ended 31 December 2021 and 2020, respectively, including write-down of obsolete inventories of NT$3,275 thousand and gains from the reversal of write-down of obsolete inventories of NT$(547) for the years ended 31 December 2021 and 2020, respectively.

(4) No inventories were pledged.

5. Other current assets

	31 December 2021	31 December 2020
Temporary receipts	$49	$98
Payment on behalf of others(Note)	27,803	39,675
Total	$27,852	$39,773

Note: Payment on behalf of others represents the payment the Company made for the purchases of materials on behalf of the Company's CDMO clients.

6. Investments accounted for using the equity method

Investees	31 December 2021 Carrying amount	31 December 2021 Percentage of ownership (%)	31 December 2020 Carrying amount	31 December 2020 Percentage of ownership (%)
Investments in associates:				
Union Chemical & Pharmaceutical Co., Ltd.	$63,785	100%	$68,945	100%
Bora Health Inc.	82,124	100%	89,481	100%
Bora Pharmaceutical Laboratories Inc.	1,297,193	100%	725,540	100%
Bora Pharmaceuticals USA Inc.	22,624	100%	9,101	100%
Bora Pharmaceutical Services Inc.	725,560	50%	413,653	50%
Bora Management Consulting Co., Ltd.	1,954	100%	-	-
Bora Pharmaceutical and Consumer Health Inc.	100	100%	-	-
Total	$2,193,340		$1,306,720	

(1) The Company resolved by special shareholders' meeting to acquire 100% ownership of Bora Pharmaceutical Laboratories Inc. with a cash settlement on 5 February 2018. Since 6 February 2018, the Company obtained the control over Bora Pharmaceutical Laboratories Inc. and the right as a creditor of Bora Pharmaceutical Laboratories Inc. in the amount of NT$1,361,386 (including principal and interest) which was recorded as other receivables - related parties at a net balance of NT$739,760 thousand after the Company's collection of NT$621,626 thousand at the acquisition date. The bargain purchase gain was amounted to NT$304,653 thousand. The purpose of the acquisition is to accelerate the layout of international CDMO business.

Other receivables - related parties amounted to NT$369,273 thousand and NT$572,597 thousand at 31 December 2021 and 2020, respectively.

(2) The Company registered and established Bora Pharmaceuticals USA Inc. in November 2019 with a capital of USD 500 thousand, consisting of 500 thousand shares with a par value of USD$1 per share.

(3) The Company and Bora Pharmaceutical Laboratories Inc. registered and established Bora Pharmaceutical Services Inc. ("BPSI") The capital was CAD 20,000 thousand, consisting of 200,000 thousand shares with a par value of CAD$0.1 per share. The Company and Bora Pharmaceutical Laboratories Inc. hold 50% shares each. The Company has the control over BPSI.

(4) The Board resolved to acquire GlaxoSmithKline Inc.'s business assets in Ontario Canada with cash in 2020 to expand the overseas CDMO business. The business asset acquisition transaction was completed at 1 December 2020 with a bargain purchase gain of NT$387,761 thousand for the year ended December 31, 2020. Please refer to Note VI. 28 to the consolidated financial statement for related information of the business combination.

The Board resolved in November 2020 to provide BPSI a short term loan of CAD$16,500 thousand which was recorded as other receivables-related parties at 31 December 2020. The loan was fully paid in 2021 at the amount of NT$370,139 thousand (including principle of NT$368,775 thousand and interest of NT$1,364 thousand)

(5) Yuta Health Co., Ltd. was renamed to Bora Health Inc. and completed the registration in June 2021.

(6) The Company registered and established a wholly-owned subsidiary, Bora Management Consulting Co., Ltd. with a capital of NT$ 1,000 thousand in Taiwan in April 2021.

(7) The Company registered and established a wholly-owned subsidiary, Bora Pharmaceutical and Consumer Health Inc., with a capital of NT$100 thousand in Taiwan in December 2021. Subsequent to the year end, Bora Pharmaceutical and Consumer Health Inc. was renamed as Bora Biologics Co., Ltd. in March 2022.

(8) Share of profit of associates and joint ventures accounted for using the equity methods amounted to NT$938,256 thousand and NT$607,863 thousand for the years ended 31 December 2021 and 2020.

(9) The investment in subsidiaries is presented as "investments accounted for using equity method", and makes necessary adjustments.

7. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Cost:									
1 January 2021	$889,813	$115,241	$94,036	$16,758	$570	$3,149	$7,336	$30,883	$1,157,786
Additions	-	80,530	3,680	371	-	5,228	-	6,669	96,478
Disposals	-	(524)	(2,113)	(1,780)	-	(119)	(7,336)	(51)	(11,923)
31 December 2021	$889,813	$195,247	$95,603	$15,349	$570	$8,258	$-	$37,501	$1,242,341
1 January 2020	$889,813	$114,294	$92,728	$15,638	$570	$3,165	$7,336	$25,053	$1,148,597
Additions	-	1,017	1,401	1,120	-	-	-	6,125	9,663
Disposals	-	(70)	(93)	-	-	(16)	-	(295)	(474)
31 December 2020	$889,813	$115,241	$94,036	$16,758	$570	$3,149	$7,336	$30,883	$1,157,786
Depreciation and impairment:									
1 January 2021	$-	$38,373	$46,620	$9,744	$477	$2,547	$6,239	$14,953	$118,953
Depreciation	-	8,778	6,606	1,356	2	781	413	2,639	20,575
Disposals	-	(434)	(1,488)	(1,139)	-	(99)	(6,652)	(38)	(9,850)
31 December 2021	$-	$46,717	$51,738	$9,961	$479	$3,229	$-	$17,554	$129,678
1 January 2020	$-	$31,922	$39,943	$8,355	$453	$2,452	$5,819	$12,809	$101,753
Depreciation	-	6,495	6,756	1,389	24	109	420	2,388	17,581
Disposals	-	(44)	(79)	-	-	(14)	-	(244)	(381)
31 December 2020	$-	$38,373	$46,620	$9,744	$477	$2,547	$6,239	$14,953	$118,953
Net carrying amount:									
31 December 2021	$889,813	$148,530	$43,865	$5,388	$91	$5,029	$-	$19,947	$1,112,663
31 December 2020	$889,813	$76,868	$47,416	$7,014	$93	$602	$1,097	$15,930	$1,038,833

(1) Major components of building are main building structure and the relevant constructions (including but not limited to air conditioning units and electrical and mechanical engineering construction), with useful lives of 20 to 50 years and 8 to 10 years, respectively.
(2) Interest capitalization: None in 2021 and 2020.
(3) Please refer to Note VIII for more details on pledges of property, plants, and equipment
(4) Please refer to Note VI. 8 for more details the for the leased properties which have been recognized as Investment properties.

8. Investment properties, net

The Company owns investment properties and has entered into several commercial property leases on its owned investment properties with lease terms approximately between 2 to 10 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	Buildings
Cost:	
1 January 2021	$26,673
Additions	-
31 December 2021	$26,673
1 January 2020	$26,673
Additions	-
31 December 2020	$26,673
Depreciation and impairment:	
1 January 2021	$834
Depreciation	833
31 December 2021	$1,667
1 January 2020	$-
Depreciation	834
31 December 2020	$834
Net carrying amount at:	
31 December 2021	$25,006
31 December 2020	$25,839

	2021	2020
Net income from investment properties	$3,606	$6,614

Please refer to Note VIII for more details on investment properties under pledge.

Investment properties held by the Company are not measured at fair value but for which the fair value was disclosed. The fair value measurements of the investment properties are categorized as Level 3 hierarchy. The fair value of Investment properties were NT$73,714 thousand at 31 December 2021 and 31 December 2020, respectively. The fair value has been determined based on valuations performed by an independent appraiser. The valuation methods applied are the income approach and comparison approach, and the related inputs are as follows:

Income approach:	31 December 2021	31 December 2020
Net income margin	$108,262	$105,212
Capitalization rate	2.07%	2.13%

Comparison approach:	31 December 2021	31 December 2020
Regional factors	100%	100%
Individual factors	91%-93.5%	92%-96%

9. Short-term loans

	Interest rates (%)	31 December 2021	31 December 2020
Unsecured bank loans	1.20%~1.25%	$95,000	$320,000
Secured bank loans	1.15%	-	200,000
Total		$95,000	$520,000

The Company's unused short-term lines amounted to NT$840,000 thousand and NT$315,000 thousand at 31 December 2021 and 31 December 2020, respectively.

10. Other payables

	31 December 2021	31 December 2020
Professional service fees payable	$5,758	$3,524
Employees' remuneration payable	22,382	11,969
Bonus payable	18,914	26,780
Salaries payable	8,742	8,171
Directors' remuneration payable	10,816	5,800
Other payables	24,471	23,482
Total	$91,383	$79,726

11. Long-term loans

Details of long-term loans at 31 December 2021 and 31 December 2020 are as follows:

Lenders	31 December 2021	Interest Rate (%)	Maturity and terms of repayment
Chang Hwa secured bank loan	$534,000	1.15%	23 December 2019 to 23 December 2034. 156 monthly instalments (principal and interests), starting from 23 December 2021
O-Bank unsecured bank loan	100,000	0.9837%	29 November 2021 to 01 November 2024. 7 quarterly instalments (principal and interests), starting from 01 May 2023.
Subtotal	634,000		
Less: current portion	(38,304)		
Total	$595,696		

Lenders	31 December 2020	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa secured bank loan	$534,000	1.11%	23 December 2019 to 23 December 2034. 156 monthly instalments (principal and interests), starting from 23 December 2021
Subtotal	534,000		
Less: current portion	(3,423)		
Total	$530,577		

The secured loan with Chang Hwa Bank is a first priority mortgage to which a first priority lien on land, buildings and investment properties was granted. Please refer to Note VIII for more details of the secured loan.

12. Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2021 and 2020 was NT$5,981 thousand and NT$5,550 thousand, respectively.

13. Equity

(1) Common stock

① As of 31 December 2021 and 2020, the Company's authorized capital was NT$1,200,000 thousand and NT$600,000 thousand, respectively, consisting of 120,000 thousand and 60,000 thousand shares of ordinary stock, respectively, with par value at NT$10 per share. The outstanding shares amounted to NT$684,123 thousand and NT$541,154 thousand and, consisting of 68,412 thousand shares and 54,115 thousand shares, respectively. Each share has one voting right and is entitled to receive dividends.

② Issuance of 2,200 thousand common shares at NT$10 per share was authorized by the Board of Directors on 8 January 2020. The above-mentioned issuance of common stock for cash includes public offering, employee subscription and original shareholder subscription. The shares were issued at a premium of NT$120 per share. The issuance of common stock was approved by the competent authority and the amendment registration was completed on 4 March 2020. Part of shares were reserved for employee subscription. The fair value of such shares was recognized as capital surplus - additional paid-in capital on the grant date.

③ Capitalization of retained earnings in the amount of NT$124,882 thousand with par value at NT$10 per share was approved and 12,488 thousand common shares were authorized for issue by the Board of Shareholders' on 28 May 2020. The capital injection was approved by the Financial Supervisory Commission on 13 October 2020 and the amendment registration was completed.

④ Capitalization of stock dividends in the amount of NT$135,289 thousand with par value at NT$10 per share was approved and 13,529 thousand common shares were authorized for issue by the Board of shareholders on 9 July 2021. Each share has one voting right and a right to receive dividends. The capital injection was approved by the Financial Supervisory Commission on 30 September 2021 and the amendment registration was completed.

⑤ The company's employee stock option holders have converted 768 thousand shares at the subscription price of NT $81.5 per share and 66 thousand shares at NT$65.4 per share, of which 66 thousand shares had not completed the registration process, and were recorded as share capital – advance receipt for ordinary shares.

(2) Capital surplus

	31 December 2021	31 December 2020
Additional paid-in capital	$890,826	$798,313
Conversion premium from convertible bonds	88,282	88,282
Employee stock options	11,562	29,737
Treasury stock	35,315	35,315
Total	$1,025,985	$951,647

According to the R.O.C. Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Treasury stock

a. Changes in treasury stock are as follows:

For the year ended 31 December 2021: None.
For the year ended 31 December 2020:

(Unit: thousand shares)

Cause	Beginning balance	Addition	Decrease	Ending balance
Transfer to employees	69	-	69	-

b. As of 31 December 2021 and 2020, the amount of treasury stocks bought back was both nil.

(4) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, was prepared by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting for approval. Generally, at least 10% of the dividends must be paid in the form of cash.

According to the Company Act in R.O.C, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital as dividend in stock or in cash in proportion to their share ownership permitted.

When the Company distributes distributable earnings, it shall set aside additional special reserve equivalent to the net debit balance of the component of shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent decrease in the deductions amount to shareholders' equity, the amount may be reversed from the special reserve. The reversed amount could be included in the distributable earnings.

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

When a public company adopts for the first time the IFRS, for any unrealized revaluation increment or cumulative translation adjustment (profit) accounted for under shareholders' equity, if it is transferred to retained earnings because the Company chooses to apply an exemption under IFRS 1, the Company shall allocate the same amount respectively in special reserve. However, if on the transition date the amount of the increase in retained earnings arising from the first-time adoption of the IFRS is insufficient to make the allocation mentioned above, the Company may make the allocation based merely on the amount of the increase in retained earnings arising from the transition to the IFRS, and when there is subsequently any use, disposal, or reclassification of the relevant assets, the company may reverse and book for earnings distribution the corresponding proportion originally allocated to special reserve.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 9 March 2022 and 9 July 2021, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2021	2020	2021	2020
Legal reserve	$74,974	$57,843	$-	$-
Special reserve	19,019	(171)	-	-
Cash dividend	239,828	109,766 (Note)	3.5	2
Stock dividend	68,522	135,289	1	2.465 (Note)

Note: Cash dividend and dividend per share of stock dividend for earning distribution of year 2020 was adjusted due to certain eligible employees exercised their stock option granted in 2018 in 2021.

Please refer to Note VI.18 for details on employees' compensation and remuneration to directors and supervisors.

14. Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(1) Share-based payment plan for employees of the parent entity

On 13 July 2018, and 4 November 2020, the Company was authorized by the Securities and Futures Bureau of the FSC, Executive Yuan, to issue employee share options with a total number of 1,000 and 1,000 units, respectively. Each unit entitles an optionee to subscribe for 1,000 shares of the Company's common shares. The exercise price of the option was set at the closing price of the Company's common share on the grant date. Only the employees of the Company and the Company's domestic and overseas subsidiaries, for which the company holds over 50% of shares with voting right on them, are eligible for the plan. The options are given to full-time employee that the optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

The fair value of the share options is estimated at the grant date using a Black-Scholes option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The contractual terms of each option granted are three and five years. There are no cash settlement alternatives.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (Unit)	Exercise price of share options (NT$) (Note)
4 June 2019	1,000	65.4
29 December 2020	275	156.8
13 August 2021	598	220.7

Note: Except for various securities issued by the parent company with conversion rights or options to exchange for common stock or issuing new shares for employees' bonus, when there is a change in the common stock of the parent company (including private placement, issuance of common stock for cash, stock dividends, capital surplus reserve to capital increase, combination, company split, transfer of shares of other companies, stock split and issuance of common stock for cash to participate in the issuance of overseas depositary receipts, etc.), the exercise price shall be adjusted in accordance with the parent company's plan.

The following table lists the inputs to the model used for the aforementioned share-based payment plan:

	2021	2020	2019
Dividend yield (%)	-	-	-
Expected volatility (%)	48.05%	44.36%	45.62%
Risk-free interest rate (%)	0.292% ~ 0.310%	0.176% ~ 0.201%	0.525%
Expected option life (Years)	3.5 ~ 4.5	3.5 ~ 4.5	2.5
Weighted average share price ($)	277	197	142
Option pricing model	Black-Scholes option pricing model	Black-Scholes option pricing model	Black-Scholes option pricing model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the aforementioned share-based payment plan:

	2021		2020	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	1,195	108.1	940	107.2
Granted	598	220.7	275	197
Forfeited	(24)	180.8	(20)	81.5
Exercised	(834)	80.2	-	-
Expired	-	-	-	-
Outstanding at end of period	935	188.6	1,195	108.1
Exercisable at end of period	86		-	-

The information on the outstanding share options as of 31 December 2021 and 2020, is as follows:

	Range of exercise price	Weighted average remaining contractual life (Years)
31 December 2021	\$65.4~\$220.7	0~3.66
31 December 2020	\$81.5~\$197	0.92~4.04

(2) Modification or cancellation of the share-based payment plan for employees

No modification or cancellation of share-based payment plan has occurred in the years ended 31 December 2021 and 2020.

(3) The expense recognized for employee services received during the years ended 31 December 2021 and 2020, is shown in the following table:

	2021	2020
Total expense arising from equity-settled share-based payment transactions	\$12,465	\$14,974

15. Operating revenue

	2021	2020
Sales of goods	\$218,500	\$234,807
CDMO	158,355	157,298
Others	83,657	24
Subtotal	460,512	392,129
Less: sales returns and allowance	(4,063)	(2,335)
Total	\$456,449	\$389,794

For the years ending 31 December 2021 and 2020, the timing of recognizing revenue from contracts with clients is recognized at a point in time.

Contract liabilities－current

	Opening balance	Ending balance	Difference
Sales of goods	\$385	\$389	\$4

The significant changes in the Company's balances of contract liabilities for the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
The opening balance recognized as revenue	\$350	\$651

16. Expected credit losses/ (gains)

	2021	2020
Operating expenses – Expected credit (gains)		
Accounts receivable	$(7)	$(566)

Please refer to Note XII for more details on credit risk.

Provisions for receivables, including notes receivable, notes receivable-related party, accounts receivable and accounts receivable-related parties are estimated at an amount equal to lifetime expected credit losses. Notes receivable, notes receivable-related party, and accounts receivable-related parties at 31 December 2021 and 31 December 2020 amounted to NT$126,021 thousand and NT$41,279 thousand, respectively and were are not yet due. Therefore, the provisions as of 31 December, 2021 and 31 December 2020 was nil.

The information on measuring provisions for accounts receivable using a provision matrix by considering counterparties' credit ratings, regions, industries, and other factors, is as follows:

31 December, 2021

	Not yet due	Overdue					
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross	$66,508	$12	$3	$-	$11	$13	$66,547
Loss rate	0.00%	1.92%	37.19%	37.37%	56.27%	84%-100%	
Lifetime expected credit losses	-	-	1	-	6	13	20
Total	$66,508	$12	$2	$-	$5	$-	$66,527

31 December, 2020

	Not yet due	Overdue					
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross	$68,750	$-	$69	$26	$54	$19	$68,918
Loss rate	0.00%	1.51%	1.53%	2.44%	29.36%	42%-100%	
Lifetime expected credit losses	-	-	1	1	16	9	27
Total	$66,508	$12	$2	$-	$5	$-	$66,527

The movement of loss allowance for accounts receivable for the years ended 31 December 2021 and 31 December 2020 is as follows:

	Accounts receivable
1 January 2021	$27
Provision/(reversal)	(7)
Write off	-
31 December 2021	$20

	Accounts receivable
1 January 2020	$634
Provision/(reversal)	(566)
Write off	(41)
31 December 2020	$27

17. Leases

(1) Company as a lessee (Disclosures related to the application of IFRS 16)

The Company leases various properties, including real estate such as land and buildings, office equipment, and other equipment. The lease terms range from 3 to 5 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheets

(a) Right-of-use assets

The carrying amount of right-of-use assets

	31 December 2021	31 December 2020
Buildings	$-	$1,661

For the year ended 31 December 2021 and 31 December 2020, the Company didn't acquire right-of-use assets.

(b) Lease liabilities

	31 December 2021	31 December 2020
Lease liabilities	$-	$1,675
Current	$-	$1,253
Non-current	$-	$422

Please refer to NoteVI.19 for the interest on lease liabilities recognized during the years ended 31 December 2021 and 2020 and refer to Note XII.5 Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statements of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2021	2020
Buildings	$-	$1,246
Office equipment	-	-
Total	$-	$1,246

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2021	2020
Expenses relating to short-term leases	$806	$3,909
Eexpenses relating to leases of low-value assets (exclude the expenses relating to short-term leases of low-value assets)	145	153

D. Cash outflow relating to leasing activities

During the years ended 31 December 2021 and 2020, the Company's total cash outflows for leases amounted to NT$951 thousand and NT$5,331 thousand, respectively.

(2) Company as a lessor

Please refer to Note VI.8 for disclosures of the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended 31 December	
	2021	2020
Lease income from operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$8,386	$9,844

Please refer to Note VI.8 for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years at 31 December 2021 and 2020 are as follow:

	31 December 2021	31 December 2020
Not later than one year	$8,571	$8,571
Later than one year but not later than two years	8,571	8,571
Later than two years but not later than three years	8,571	8,571
Later than three years but not later than four years	8,571	8,571

Later than four years but not later than five years	8,571	8,571
Later than five years	16,486	24,400
Total	$59,341	$67,255

18. Summary statements of employee benefits, depreciation and amortization expenses by function during the years ended 31 December 2021 and 2020:

Function / Character	For the years ended 31 December					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$51,672	$121,063	$172,735	$52,696	$118,672	$171,368
Labor and health insurance	5,688	6,037	11,725	5,589	4,832	10,421
Pension cost	2,717	3,264	5,981	2,757	2,793	5,550
Directors' remuneration	-	9,375	9,375	-	7,605	7,065
Other employee benefits expense	2,917	1,783	4,700	3,129	1,627	4,756
Depreciation	13,728	7,680	21,408	15,032	4,629	19,661
Amortization	-	1,464	1,464	-	555	555

Note：The number of the Company's employees were 167 and 163, including 5 directors who are not concurrently employees, as of December 31, 2021 and 2020, respectively

(1) The Company's average employee benefits expenses for the years ended December 31, 2021 and 2020 were NT$1,205 thousand and NT$1,216 thousand, respectively.

(2) The Company's average salary expenses for the years ended December 31, 2021 and 2020 were NT$1,066 thousand and NT$1,085 thousand, respectively.

(3) The Company's average salary expense adjustment for the year ended December 31, 2021 decreased by 1.75%.

(4) The Company has established the Audit Committee in place of supervisors and therefore the supervisors' remuneration for the years ended December 31, 2021 and 2020 were both nil.

(5) The Company's remuneration policies are as follows:

A. The Company's policy for remuneration of directors and independent directors was formulated according to the Company's Articles of Incorporation and the Remuneration Committee's Articles of Incorporation; the policy for remuneration of managers was formulated according to the Rules for Managers' Remuneration. The Remuneration Committee determines remuneration based on the evaluations on the industry's future risks, remuneration level of the peer companies, the Company's operating performance, individual contribution, etc. The remuneration will be executed when the proposal is approved by the Board of Directors.

B. The Company took part in the international remuneration survey to establish a remuneration policy with both external competitiveness and internal fairness. The talents can compete with the world in terms of career progression, ranking, fixed salary, variable salary, allowances and benefits, etc. The Company promotes and adjusts the salary based on individual performance, career planning and potential for development. The Company hopes to maintain and promote the Company's overall operating performance and competitiveness via both long-term and short-term incentives and feedback programs.

According to the Articles of Incorporation of the Company, no less than 2% of profit of the current year shall be distributable as employees' compensation and no higher than 5% of profit of the current year shall be distributable as remuneration to directors and supervisors. However, the profit generated in current year shall be offset with the Company's accumulated losses before the allocation of compensation to directors and supervisors and employee. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto reported such distribution in the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 to be NT$22,382 thousand and NT$10,815 thousand, respectively. The aforementioned amounts were recognized as employee benefits expense. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2020 to be NT$11,969 thousand and NT$5,800 thousand, respectively.

A resolution was passed at a Board of Directors meeting held on 9 March 2022 to distribute NT$17,678 thousand and NT$8,839 thousand in cash as employees' compensation and remuneration to directors and supervisors for year 2021, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2021 amounted to NT$4,704 thousand and NT$1,976 thousand, respectively, would be reversed and recognized in profit or loss in the subsequent year in 2022.

A resolution was passed at a Board of Directors meeting held on 30 March 2021 to distribute NT$14,461 thousand and NT$8,676 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2020, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2020 amounted to NT$2,492 thousand and NT$2,876 thousand, respectively, was recognized in profit or loss of the subsequent year in 2021.

19. Non-operating income and expenses

(1) Other revenue

	For the years ended 31 December	
	2021	2020
Interest income	$9,413	$5,600
Others	23,517	47,421
Total	$32,930	$53,021

(2) Other gains and losses

	For the years ended 31 December	
	2021	2020
(Losses) on disposal of property, plant and equipment	$(1,991)	$(91)
Foreign exchange (losses) gains	(7,047)	6,493
Gains on financial assets at fair value through profit or loss	-	83
Others	(301)	(73)
Total	$(9,339)	$6,412

(3) Financial costs

	For the years ended 31 December	
	2021	2020
Interest expenses from bank loans	$10,995	$9,167
Interest expenses from lease liabilities	$-	32
Total financial costs	$10,995	$9,199

20. Components of other comprehensive income

Year ended 31 December 2021

	Arising during the period	Reclassification adjustments	Other comprehensive income, before tax	Tax Benefit (Expense)	Net of tax
Not to be reclassified to profit or loss:					
Remeasurements of defined plans for subsidiaries, affiliates and joint ventures	$4,535	$-	$4,535	$-	$4,535
To be reclassified to profit or loss in subsequent periods:					
Translation differences of foreign operations	(24,837)	-	(24,837)	4,967	(19,870)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(19,536)	-	(19,536)	-	(19,536)
Total	$(39,838)	$-	$(39,838)	$4,967	$(34,871)

Year ended 31 December 2020

	Arising during the period	Reclassification adjustments	Other comprehensive income, before tax	Tax Benefit (Expense)	Net of tax
To be reclassified to profit or loss in subsequent periods:					
Translation differences of foreign operations	$6,517	$-	$6,517	$(1,303)	$5,214
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	10,808	-	10,808	-	10,808
Total	$17,325	$-	$17,325	$(1,303)	$16,022

21. Income tax

The major components of income tax expense (income) for the years ended 31 December 2021 and 2020 are as follows:

(1) Income tax expense (income) recognized in profit or loss

	For the years ended 31 December 2021	2020
Current income tax expense (income):		
Current income tax expense	$13,073	$3,311
Adjustments in respect of prior periods	-	(2,671)
Deferred tax expense:		
Deferred tax expense relating to origination of temporary differences	89,003	1,623
Total income tax expense	$102,076	$2,263

(2) Income tax relating to components of other comprehensive income

	For the years ended 31 December 2021	2020
Deferred tax expense (income):		
Share of other comprehensive income of associates and joint ventures accounted for using the equity	$(4,967)	$1,303

(3) Reconciliation between income before income tax and income tax expense recognized in profit and loss and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December 2021	2020
Net income before income tax	$851,812	$580,689
Income tax expense at the statutory rate	170,363	$116,138
Net operating Losses	-	5,682
Revenues exempt from income tax	(118,402)	(84,218)
Expenses disallowed for tax purposes	53	-
Tax on undistributed retained earnings	13,073	3,311
Tax effect of deferred tax assets/liabilities	39,772	(35,979)
Change in deferred income tax	-	(2,671)
Others	(2,783)	-
Total income tax expense recognized in profit or loss	$102,076	$2,263

(4) Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2021

	1 January 2021	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2021
Temporary differences				
Unrealized loss on inventories	$972	$(265)	$-	$707
Exchange differences on translation of foreign operations	(1,260)	-	4,967	3,707
Unpaid vacation	116	-	-	116
Unrealized gains (losses) from financial instruments	-	15,299	-	15,299
Unrealized gains (losses) from affiliate transactions	336	(128)	-	208
Foreign investment income under equity method	-	(103,909)	-	(103,909)
Business combination – negative goodwill	(60,931)	-	-	(60,931)
Deferred tax income/ (expense)		$(89,003)	$4,967	
Net deferred tax assets/(liabilities)	$(60,767)			$(144,803)
Balance sheet				
Deferred tax assets	$1,424			$20,037
Deferred tax liabilities	$62,191			$164,840

For the year ended 31 December 2020

	1 January 2020	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2020
Temporary differences				
Unrealized loss on inventories	$1,082	$(110)	$-	$972
Exchange differences on translation of foreign operations	43	-	(1,303)	(1,260)
Unpaid vacation	116	-	-	116
Unrealized gains (losses) from financial instruments	(2)	2	-	-
Unrealized gains (losses) from affiliate transactions	431	(95)	-	336
Foreign investment income under equity method	1,420	(1,420)	-	-
Business combination – negative goodwill	(60,931)	-	-	(60,931)
Deferred tax income/ (expense)		$(1,623)	$(1,303)	
Net deferred tax assets/(liabilities)	$(57,841)			$(60,767)
Balance sheet				
Deferred tax assets	$3,092			$1,424
Deferred tax liabilities	$60,933			$62,191

(5) The assessment of income tax returns

As of 31 December 2021, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2019

22. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended 31 December	
	2021	2020
(1) Basic earnings per share		
Profit attributable to ordinary shareholders of the Company (in thousand NT$)	$749,736	$578,426

	For the years ended 31 December 2021	2020
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	67,893	67,005
Basic earnings per share (NT$)	$11.04	$8.63

	For the year ended 31 December 2021	2020
(2) Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (in thousand NT$)	$749,736	$578,426
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	67,893	67,005
Effect of dilution:		
Employee compensation－stock (in thousands)	122	-
Employee stock options (in thousands)	100	510
Weighted average number of ordinary shares outstanding after dilution (in thousands)	68,115	67,515
Diluted earnings per share (NT$)	$11.01	$8.57

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date, 31 December, 2021 and the approved date, 9 March, 2022 of the financial statements.

VII. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Union Chemical & Pharmaceutical Co., Ltd.	Subsidiaries
Bora Health Inc.	Subsidiaries
Bora Pharmaceutical Laboratories Inc.	Subsidiaries
Bora Pharmaceuticals USA Inc.	Subsidiaries
Bora Pharmaceutical Services Inc.	Subsidiaries
Bora Management Consulting Co., Ltd.	Subsidiaries (Note)
Bora Pharmaceutical and Consumer Health Inc.	Subsidiaries (Note1)
Hoan Pharmaceuticals, Ltd.	Substantive related party

Note： registered and established in early April 2021.
Note1： registered and established in early December 2021.

Significant transactions with the related parties

1. Sales

	Years Ended 31 December	
	2021	2020
Hoan Pharmaceuticals, Ltd.	$36,545	$41,044
Bora Health Inc.	11,521	-
Union Chemical & Pharmaceutical Co., Ltd.	9,077	134
Bora Pharmaceutical Laboratories Inc.	12,895	-
Bora Pharmaceutical Services Inc.	49,770	-
Total	$119,808	$41,178

The sales prices to related party were not significantly different from those of sales to third parties. The collection period with is month-end 120 days, which is very close the term offer to third parties.

2. Purchases

	Years Ended 31 December	
	2021	2020
Hoan Pharmaceuticals, Ltd.	$61,422	$49,185
Union Chemical & Pharmaceutical Co., Ltd.	39,332	52,029
Bora Pharmaceutical Laboratories Inc.	11,605	120
Total	$112,359	$101,334

The purchase prices to the related parties was determined by costs plus expenses that are necessary. The purchase price and payment terms to related party were not significantly different from those offered to third party suppliers and are 120 days.

3. Notes Receivable - related party

	31 December 2021	31 December 2020
Hoan Pharmaceuticals, Ltd.	$2,233	$-

4. Accounts receivable-related parties

	31 December 2021	31 December 2020
Hoan Pharmaceuticals, Ltd.	$15,117	$18,136
Bora Pharmaceutical Laboratories Inc.	12,998	-
Union Chemical & Pharmaceutical Co., Ltd.	9,490	-
Bora Health Inc.	12,097	-
Bora Pharmaceutical Services Inc.	49,770	-
Net	$99,472	$18,136

5. Other receivables-related parties

	31 December 2021	31 December 2020
Bora Pharmaceutical Laboratories Inc.(Note)	$389,503	$583,256
Bora Pharmaceutical Services Inc.	3,085	370,139
Union Chemical & Pharmaceutical Co., Ltd.	871	840
Bora Health Inc.	210	210
Hoan Pharmaceuticals, Ltd.	35	49
Total	$393,704	$954,494

Note： The Company acquired Bora Pharmaceutical Laboratories Inc.'s right as a creditor when the Company acquired the shares of Bora Pharmaceutical Laboratories Inc. The outstanding balance due from Bora Pharmaceutical Laboratories Inc. amounted to NT$369,273 thousand and NT$572,597 thousand at 31 December 2021 and 2020, respectively which consisting of interest revenue of NT$1,646 thousand and NT$4,111 thousand recognized for the years ended 31 December 2021 and 2020, respectively.

6. Notes payable-related party

	31 December 2021	31 December 2020
Hoan Pharmaceuticals, Ltd.	$7,596	$-

7. Accounts payable -related parties

	31 December 2021	31 December 2020
Bora Pharmaceutical Laboratories Inc.	$12,146	$-
Union Chemical & Pharmaceutical Co., Ltd.	14,574	12,144
Hoan Pharmaceuticals, Ltd.	12,665	14,706
Total	$39,385	$26,850

8. Other payables-related parties

	31 December 2021	31 December 2020
Bora Pharmaceutical Laboratories Inc.	$6,243	$976
Hoan Pharmaceuticals, Ltd.	1,341	1,686
Union Chemical & Pharmaceutical Co., Ltd.	415	1,330
Bora Health Inc.	-	8
Total	$7,999	$4,000

9. Sales and marketing expenses

	31 December 2021	31 December 2020
Hoan Pharmaceuticals, Ltd.	$4,720	$4,497

10.Others

a. The Company executed Service Agreements with the subsidiaries for the shared service the Company provide, other revenue recognized for the years ended 31 December 2021 and 2020 amounted to NT$14,400 thousand and NT$36,600 thousand, respectively.

b. Please refer to Attachment 1~2 for the loans to others for the year ended 31 December, 2021.

11. Key management personnel compensation

	Years Ended December 31	
	2021	2020
Short-term employee benefits	$27,597	$33,452
Post-employment benefits	108	108
Total	$27,705	$33,560

VIII. Assets pledged as security

The following table lists assets of the Company pledged as security:

Items	Carrying amount 31 December 2021	Carrying amount 31 December 2020	Secured liabilities
Property, plant and equipment - land	$889,813	$889,813	Short-term loans and Long-term loans
Property, plant and equipment - buildings	54,914	62,168	Short-term loans and Long-term loans
Investment properties	25,006	25,839	Long-term loans
Total	$969,733	$977,820	

IX. Significant contingencies and unrecognized contractual commitments

(1) As of 31 December 2021, the major outstanding construction contracts that the Company entered are as follows:

Project name	Amount	Paid amount	Unpaid amount
Interior design and decoration project for Ruiguang Building	$33,873	$24,556	$9,317
Appearance improvement project for Ruiguang Building	21,000	14,135	6,865

X. Losses due to major disasters

None.

XI. Significant subsequent events

(1) In order to compliance with the requirement for future listing application of its subsidiary, Bora Health, Inc., the Company shall reduce the ownership from 100% to 70% or less by releasing the shares or waive the right to subscribe all or part of new shares issuing while maintaining the Company's control over the subsidiary.

(2) In order to transfer the shares to employees, the Board of Directors resolved to buy back the treasury shares on 21 January 2022, and the scheduled buyback period was from 22 January 2022 to 21 March 2022 with estimated buyback shares of 400 thousand shares, and repurchase price will be ranged from NT$121 to NT$274 per share.

XII. Financial instruments

1. Categories of financial instruments

Financial assets

	31 December 2021	31 December 2020
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	$183,079	$98,597
Notes receivable (including related parties)	26,549	23,143
Accounts receivable (including related parties)	165,999	87,027
Other receivables (including related parties)	395,993	956,558
Total	$771,620	$1,165,325

Financial liabilities

	31 December 2021	31 December 2020
Financial liabilities measured at amortized cost		
Short-term loans	$95,000	$520,000
Accounts and other payables	161,183	117,937
Long-term loans (including current portion)	634,000	534,000
Lease liabilities (including current portion)	-	1,675
Total	$890,183	$1,173,612

2. Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a increase of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2021 and 2020 to decrease by NT$546 thousand and NT$957 thousand, respectively.

4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2021 and 31 December 2020, accounts receivable from top ten customers represent 84% and 79% of the total accounts receivable of the Company, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

5. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank loans and convertible bond. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve at the end of the reporting period.

Non-derivative financial liabilities

	<= 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
31 December 2021					
Borrowings	$140,227	$190,649	$95,702	$338,000	$764,578
Accounts and other payables	161,183	-	-	-	161,183

	<= 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
31 December 2020					
Borrowings	$523,909	$92,885	$91,078	$384,064	$1,091,936
Accounts and other payables	117,937	-	-	-	117,937
Convertible corporate bonds	1,268	423	-	-	1,691

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term loans	Long-term loans	Leases liabilities	Total liabilities from financing activities
1 January 2021	$520,000	$534,000	$1,675	$1,055,675
Cash flows	(425,000)	100,000	-	(325,000)
Non-Cash transactions	-	-	(1,675)	(1,675)
31 December 2021	$95,000	$634,000	$-	$729,000

Reconciliation of liabilities for the year ended 31 December 2020:

	Short-term loans	Long-term loans	Leases liabilities	Total liabilities from financing activities
1 January 2020	$175,000	$579,149	$2,911	$757,060
Cash flows	345,000	(45,149)	(1,236)	298,615
31 December 2020	$520,000	$534,000	$1,675	$1,055,675

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, notes receivable (including related party), accounts receivable (including related parties), other receivables (including related parties), notes payable (including related party), accounts payable (including related parties), other payables (including related parties), and other current liabilities approximate their fair value due to their short maturities.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

C. Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(2) Fair value measurement hierarchy for financial instruments

Please refer to Note XII.8 for fair value measurement hierarchy for financial instruments of the Company.

8. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 - Unobservable inputs for the asset or liability

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

At 31 December 2021 and 31 December 2020: None.

During the year ended 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

For the years ended 31 December, 2021 and 31 December, 2020: None.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

31 December 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Cost approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT$123 thousand

31 December 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Cost approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT$91 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	$-	$-	$73,714	$73,714

31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	$-	$-	$73,714	$73,714

9. Significant assets and liabilities denominated in foreign currencies: None.

10. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

XIII. Other disclosure

1. Information at significant transactions
   - (a) Financing provided to others for the year ended 31 December 2021: Please refer to Attachment 1.
   - (b) Endorsement/Guarantee provided to others for the year ended 31 December 2021: Please refer to Attachment 2.
   - (c) Securities held as of 31 December 2021 (exclude investment subsidiaries, affiliated companies and joint venture control parts) : Please refer to Attachment 3.
   - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2021: None.
   - (e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock f for the year ended 31 December 2021: None.
   - (f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2021: None.
   - (g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended 31 December 2021: None.
   - (h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2021: Please refer to Attachment 4.
   - (i) Financial instruments and derivative transactions: None.

2. Information on investees: Please refer to Attachment 5.

3. Investment in Mainland China: None.

4. Information on major shareholders: Please refer to Attachment 6.

Attachment 1

Financing provided to others

No. (Note 1)	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount	Interest rate	Nature of financing (Note 4)	Transaction Amounts (Note 5)	Reason for short-term financing (Note 6)	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Services Inc.	Other receivables-related parties	Yes	$377,850 (CAD $16,500 thousand)	$-	$-	-	2	$-	Need for operating	$-	None	$-	$-	$-
1	Union Chemical & Pharmaceutical Co., Ltd.	Bora Health Co., Ltd.	Other receivables-related parties	Yes	$20,000	$20,000	$20,000	1.3%	2	$-	Need for operating	$-	None	$-	$26,485	$33,107

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Limit of financing amount for individual counter-party:

(1) Business contacts : limit of financing amount for individual counter-party shall not exceed 10% of the lender's net assets value as of the period and the transaction amounts of prior year. Transaction amounts is defined as amount the higher of sales to or purchases from.

(2) Need for financing: limit of financing amount for individual counterparty shall not exceed 40% of the lender's net assets value as of the period.

Note 3: Limit of total financing amount:

(1) The Company shall not exceed 50% of the Company's net asset value.

(2) The subsidiaries shall not exceed 50% of the Company's net asset value.

Note 4: The financing provided to others are coded as follows:

(1) Business contacts is coded "1".

(2) Short-term financing is coded "2".

Note 5: If financing provided to others is coded "1" , the amount of transactions should be filled in, which is the amount of transactions between the lender and the counter party in the past 12 months..

Note 6: If financing provided to others is coded "2". The reasons for the necessary loans and funds and the use of the loans and objects, such as repayment of loans, acquisition of equipment, working capital, etc.

Attachment 2

Endorsement/Guarantee provided to others

No. (Note 1)	Endorsor/ Guarantor	Guaranteed party		Limits on Endorsement/ Guarantee to Each Guaranteed Party (Note3)	Maximum Balance for the Period	Ending balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee Amount to Net Equity per Latest Financial Statement	Maximum Endorsement/ Guarantee Amount Allowable (Note 4)	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Company name	Relationship (Note 2)										
0	Bora Pharmaceuticals Co., Ltd.	Bora Health Inc.	2	$15,762,705	$195,000	$195,000	$153,751	$-	6.19%	$15,762,705	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Laboratories Inc.	2	$15,762,705	$587,500	$567,500	$185,500	$-	18.00%	$15,762,705	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Services Inc.	2	$15,762,705	$5,289,900	$4,215,900	$3,481,958	$725,560	133.73%	$15,762,705	Y	N	N
1	Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	3	$13,042,780	$1,717,500	$1,621,500	$887,558	$725,560	124.32%	$13,042,780	N	N	N

Note 1: The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The nature of relationship between endorsor/guarantor and guaranteed party is as follows:
(1) A company with which it does business.
(2) A subsidiary in which the Company directly and indirectly holds more than 50% of the voting shares.
(3) A company in which the Company and Subsidiaries directly and indirectly holds more than 50% of the voting shares.
(4) A parent company in which the company holds directly or the subsidiaries hold indirectly, 50% or more of the voting shares.
(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

Note 3: Limit of guarantee/endorsement amount for each receiving party of Bora Pharmaceuticals Co., Ltd. is 5 times of its net worth.
Limit of guarantee/endorsement amount for each receiving party of Bora Pharmaceutical Laboratories Inc. is 10 times of its net worth.

Note 4: Limit of total guarantee/ endorsement amount of Bora Pharmaceuticals Co., Ltd. is 5 times of its net worth.
Limit of total guarantee/ endorsement amount of Bora Pharmaceutical Laboratories Inc. is 10 times of its net worth .

Attachment 3

Securities held as of 31 December 2021. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities (Note1)	Relationship	Financial statement account	as of 31 December 2021				Note
				Shares/Units (thousand)	Carrying amount	Percentage of ownership	Fair value	
The Company	Non-listed stock－Taifong Venture Capital Co.	None	Financial assets measured at fair value through other comprehensive income-noncurrent	490,000	$- (Note 2)	19.69%	$-	No pledged

Note 1: Securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities specified in IFRS9 *Financial Instrument*.

Note 2: The carrying amount is NT$0 since accumulated unrealized valuation loss of financial assets measured at fair value through other comprehensive income is NT$4,900.

Attachment 4

Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2021

Company Name	Counter-party	Relationship	Ending Balance of Receivables from Related Party (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts	Note
					Amount	Action Taken			
Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Laboratories Inc.	Subsidiary	Other receivables $369,273	Note 1	Note 1	Note 1	$-	Note 1	

Note 1: Not applicable as the claim arose from acquisition. Please refer to attachment 2 for more detail.

Attachment 5

Information on investees: (Excluding investment in Mainland China)

Investor	Investee company	Location	Main businesses	Initial Investment Amount		Balance as of 31 December 2021			Net income (loss) of investee	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Shares	Percentage of ownership	Carrying amount			
The Company	Union Chemical & Pharmaceutical Co., Ltd.	Taipei City, Taiwan	Pharmaceutical Manufacturing and wholesale	$185,875	$185,875	3,000,000	100%	$63,785	$1,595	$1,981 (Note 1)	
The Company	Bora Health Inc.	Taipei City, Taiwan	Pharmaceutical wholesale and healthcare product wholesale	$83,099	$83,099	8,000,000	100%	$82,124	$975	$975	
The Company	Bora Pharmaceutical Laboratories Inc.	Miaoli County, Taiwan	Pharmaceutical Manufacturing and CDMO	$756,810	$756,810	125,000,000	100%	$1,297,193	$588,096	$588,096	
The Company	Bora Pharmaceuticals USA Inc	State of Delaware, USA	Pharmaceutical wholesale	$59,969	$59,969	500,000	100%	$22,624	$13,744	$13,744	
The Company	Bora Pharmaceutical Services Inc.	Province of Ontario, Canada	Pharmaceutical Manufacturing and CDMO	$219,279	$219,279	100,000,000	50%	$725,560	$665,009	$332,506	
The Company	Bora Management Consulting Co., Ltd.	Taipei City, Taiwan	Management & Consulting	$1,000	$-	100,000	100%	$1,954	$954	$954	
The Company	Bora Pharmaceutical and Consumer Health Inc	Taipei City, Taiwan	Cosmetics wholesale; Management & Consulting	$100	$-	10,000	100%	$100	$-	$-	
Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	Province of Ontario, Canada	Pharmaceutical Manufacturing and CDMO	$213,100	$213,100	100,000,000	50%	$725,560	$665,009	$332,505	

Note 1: The investment income recognized had eliminated realized(unrealized) gain or loss on the transactions between the Company and its investees.

Attachment 6

Information on major shareholders

Name of major shareholders \ Shares	Shares	Percentage of Ownership
Baolei Co., Ltd.	13,086,311	19.11%
Reibaoshin Co., Ltd.	8,562,920	12.50%
Sheng Pao-Shi	3,714,910	5.42%

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

BORA PHARMACEUTICALS CO., LTD

1. Statement of cash and cash equivalents

31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Cash on hand		$216	
Bank demand deposits		176,673	
Foreign currency deposits	USD 231,314.5 dollar	6,403	Exchange Rate of USD to NTD is1:27.68
Foreign currency deposits	CAD 158.71 dollar	3	Exchange Rate of CAD to NTD is1:21.62
Total		$183,295	

BORA PHARMACEUTICALS CO., LTD

2. Statement of notes receivable, net (including related party)

31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Client A	Drugs	$8,946	The amount of individual
Client B	Drugs	4,551	client included in others does
Client C	Drugs	2,233	not exceed 5% of the
Client D	Drugs	1,548	account balance.
Client E	Drugs	1,528	
Others		7,743	
Subtotal		26,549	
Less: allowance for doubtful accounts		-	
Total		$26,549	

BORA PHARMACEUTICALS CO., LTD

3. Statement of Accounts Receivable, net (including related parties)

31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Client A	CDMO	$49,770	1.The amount of individual client included in others does not exceed 5% of the account balance.
Client B	CDMO	37,891	
Client C	Drugs	15,117	
Client D	CDMO	12,998	
Client E	Drugs	12,097	
Client F	Drugs	$9,490	
Others		28,656	
Subtotal		166,019	2.The allowance for loss is estimated based on the possibility of recovery.
Less: allowance for doubtful accounts		(20)	
Total		$165,999	

BORA PHARMACEUTICALS CO., LTD

4. Statement of Inventories, net

31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Items	Amount		Note
	Cost	Net Realizable Value	
Raw materials	$2,385	$2,391	The net realizable value represents market price
Supplies & parts	1,671	1,695	
Work in process	8,170	8,170	
Semi-finished goods	2,620	2,620	
Finished goods	8,488	16,585	
Merchandise	28,137	35,352	
Subtotal	51,471	$66,813	
Less: Allowance for inventory valuation losses	(3,534)		
Total	$47,937		

BORA PHARMACEUTICALS CO., LTD

5. Statement of prepayments

31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Advances to vendors		$1,576	The amount of individual item included in others does not exceed 5% of the account balance.
Prepaid insurance		1,245	
Prepaid personnel cost		4,912	
Others		3,292	
Total		$11,025	

BORA PHARMACEUTICALS CO., LTD

6. Statement of Changes in Investments Accounted For Using The Equity Method

From 1 January 2021 to 31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Investee Company	Balance, 1 January 2021		Additions in Investment			Decrease in investment			Balance, 31 December 2021			Fair Value or Net Asset Value		Collateral	Note
	Shares (thousand)	Amount	Shares (thousand)	Amount		Shares (thousand)	Amount		Number of shares (thousand)	Ownership %	Amount	Unit Price (NTD)	Total Amount		
1.Union Chemical & Pharmaceutical Co., Ltd.	3,000	$68,945	-	$1,981	(NOTE1)	-	$7,122	(NOTE2)	3,000	100.00%	$63,785	$22.07	$66,213	None	(NOTE6)
							19	(NOTE3)							
2.Bora Health Inc.	8,000	89,481		975	(NOTE1)	-	7,680	(NOTE2)	8,000	100.00%	82,124	10.35	82,777	〃	(NOTE6)
							652	(NOTE3)							
3.Bora Pharmaceutical Laboratories Inc.	125,000	725,540		588,096	(NOTE1)	-	19,536	(NOTE5)	125,000	100.00%	1,297,193	10.38	1,297,923	〃	(NOTE6)
				1,555	(NOTE9)		730	(NOTE3)							
				2,268	(NOTE8)										
4.Bora Pharmaceuticals USA Inc.	500	9,101	-	13,744	(NOTE1)	-	417	(NOTE5)	500	100.00%	22,624	45.25	22,624	〃	
				196	(NOTE9)										
5.Bora Pharmaceutical Services Inc.	100,000	413,653		332,506	(NOTE1)		24,420	(NOTE5)	100,000	50.00%	725,560	7.26	1,451,121	〃	(NOTE7)
				1,554	(NOTE9)										
				2,267	(NOTE8)										
6.Bora Management Consulting Co. Ltd			100	1,000	(NOTE4)				100	100.00%	1,954	19.54	1,954		
				954	(NOTE1)										
7.Bora Pharmaceutical and Consumer Health Inc.			10	100	(NOTE4)				10	100.00%	100	10.00	100		
Total		$1,306,720		$947,196			$60,576				$2,193,340				

NOTE1：Share of profit and loss of associates accounted for using equity method (including the elimination of unrealized gains and losses on the transactions between the Company and its investee).

NOTE2：Cash dividend distribution.

NOTE3：Elimination of downstream transactions

NOTE4：Capital injection

NOTE5：Exchange differences resulting from translating the financial statements of foreign operations.

NOTE6：Including the elimination of unrealized gains and losses on the upstream transactions between the Company and its subsidiaries

NOTE7：The difference between balance at 31 December 2021 and net asset value at 31 December 2021 is because the Company held 50% of ownership.

NOTE8：Remeasurement of defined benefit plan of subsidiary.

NOTE9：Share-based payment transactions to foreign subsidiaries

BORA PHARMACEUTICALS CO., LTD

7. Statement of Changes in the Cost of Right-of-use Assets

From 1 January 2021 to 31 December 2021

Unit: Thousand New Taiwan Dollars

Cost	Balance at 1 January 2021	Additions	Deductions	Balance at 31 December 2021	Note
Buildings	$3,760	$-	$(3,760)	$-	
Office equipment	206	-	(206)	-	
Total	$3,966	$-	$(3,966)	$-	

BORA PHARMACEUTICALS CO., LTD

8. Statement of Changes in Accumulated Depreciation of Right-of-use Assets

From 1 January 2021 to 31 December 2021

Unit: Thousand New Taiwan Dollars

Accumulated Depreciation	Balance at 1 January 2021	Additions	Deductions	Balance at 31 December 2021	Note
Buildings	$2,099	$-	$(2,099)	$-	
Office equipment	206	-	(206)	-	
Total	$2,305	$-	$(2,305)	$-	

BORA PHARMACEUTICALS CO., LTD

9. Statement of Short-term Loans

31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Type	Bank	Balance at 31 December, 2021	Contract Term	Interest Rate	Collateral	Note
Unsecured loan	CTBC Bank	$45,000	110/10/18-111/01/18	1.20%-1.25%	None	
Unsecured loan	SKCB Bank	$50,000	110/10/20-111/01/20		None	
Total		$95,000				

BORA PHARMACEUTICALS CO., LTD

10. Statement of Accounts Payable

31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Vendor	Description	Amount	Note
Vendor H		$6,261	The amount of individual supplier included in others does not exceed 5% of the account balance.
Vendor I		2,440	
Vendor J		2,000	
Vendor K		1,259	
Vendor L		965	
Vendor M		796	
Others		1,099	
Total		$14,820	

BORA PHARMACEUTICALS CO., LTD

11.Statement of Long-Term Loans

31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Bank	Type	Balance at 31 December, 2021	Current Portion	Net	Contract Term	Interest Rate	Collateral	Repayment
Chang Hwa Commercial Bank	Secured loan	$534,000	$38,304	$495,696	108.12.23~123.12.23	1.15%	Land and Buildings	156 monthly installments (principal and interests), starting from 23 December 2021.
O Bank	Unsecured loan	100,000	0	100,000	110.11.29-113.11.01	0.98%	None	7 quarterly installments (principal and interests), starting from 01 May 2023.
	Total	$634,000	$38,304	$595,696				

BORA PHARMACEUTICALS CO., LTD
12.Statement of Operating Costs
From 1 January 2021 to 31 December 2021
(Expressed in Thousands of New Taiwan Dollars)

Items	Ending balance	Note
Cost of manufacturing products		
Direct material		
Balance, beginning of year	$9,805	
Add: Raw material purchased	73,692	
gain on physical count	113	
Less: Raw material, end of year	(2,385)	
raw materials sold	(10,716)	
Raw materials scraped	(79)	
Others	(46,048)	
Direct material used	24,382	
Indirect material		
Indirect material, beginning of year	1,250	
Add: Indirect material purchased	1,773	
gain on physical count	58	
Less: Indirect material, end of year	(1,671)	
Indirect material sold	(594)	
Indirect material scraped	(28)	
Others	(35,269)	
Indirect material used	(34,481)	
Direct labor	23,952	
Manufacturing Expenses	82,115	
Manufacturing costs	95,968	
Add: Work in process, beginning of year	10,610	
Others	81,363	
Less: Work in process, end of year	(10,790)	
Work in process scrap	(447)	
Others	(1,306)	
Cost of Finished goods	175,398	
Add: Finished goods, beginning of year	10,413	
Others	3,284	
Less: Finished goods, end of year	(8,488)	
Finished goods scrap	(4,027)	
Others	(440)	
Subtotal of self-made product	176,140	
Cost of merchandise		
Merchandise, beginning of year	19,583	
Add: Merchandise purchased	179,664	
Others	311	
Less: Merchandise, end of year	(28,137)	
Merchandise scraped	(22)	
Others	(24)	
Subtotal of merchandise	171,375	
Other operating cost		
Loss on inventory valuation	3,275	
Materials sold	11,310	
Gain on physical count	(171)	
Others	(1,662)	
Total Operating Costs	$360,267	

BORA PHARMACEUTICALS CO., LTD

13. Statement of Operating Expenses

From 1 January 2021 to 31 December 2021

(Expressed in Thousands of New Taiwan Dollars)

Items	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Personnel cost	$14,810	$95,294	$14,256	$124,360
Insurance	1,327	5,136	1,130	7,593
Depreciation	7	6,162	1,511	7,680
Research and development expense	-	-	2,104	2,104
Commission expense	6,824	-	-	6,824
Miscellaneous expenses	683	9,110	305	10,098
Services expenses	24	10,687	252	10,963
Expected credit losses (gain)	-	(7)	-	(7)
Others (Note)	3,761	18,158	2,287	24,206
Total	$27,436	$144,540	$21,845	$193,821

Note: The item included in others does not exceed 5% of the account balance.