# BORA PHARMACEUTICALS Co., LTD. AND SUBSIDIARIES

# CONSOLIDATED FINANCIAL STATEMENTS

# WITH

# REPORT OF INDEPENDENT AUDITORS

# FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

Address: 6F., No. 2, Aly. 36, Ln. 26, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)

Telphone：886-2-2790-1555

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

安永聯合會計師事務所
70051 台南市永福路一段189號11樓
11F, No.189, Sec. 1, Yongfu Road
Tainan City, Taiwan, R.O.C
Tel: 886 6 292 5888
Fax: 886 6 200 6888
www.ey.com/taiwan

# Independent Auditors' Report

To BORA PHARMACEUTICALS CO., LTD.

## Opinion

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

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2021 and 2020, and their consolidated 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 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.

## 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 Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries 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 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

As of 31 December 2021, the Group's net inventories amounted to NT$913,629 thousand, and constituted 12% of total consolidated assets, which were material to the consolidated 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 consolidated financial statements.

Revenue Recognition

For the year ended 31 December 2021, the Group recognized NT$4,899,885 thousand as revenues, mainly coming from toll manufacturing, 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 consolidated financial statements.

EY 安永
Building a better working world

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries 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 and its subsidiaries.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

EY 安永
Building a better working world

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 and its subsidiaries.

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 and its subsidiaries. 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated 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 and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 consolidated 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.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2021 and 2020.

Hung, Guo Sen

Lin, Li Huang

Ernst & Young, Taiwan

9 March 2022

Notice to Readers

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 | $910,749 | $669,985 |
| Financial assets measured at fair value through profit or loss, current | IV&VI.2 | 78 | 64 |
| Notes receivable, net | IV&VI.4.21 | 24,325 | 23,800 |
| Notes receivable-related party, net | IV&VI.4.21&VII | 2,233 | - |
| Accounts receivable, net | IV&VI.5.21 | 783,099 | 497,694 |
| Accounts receivable-related party, net | IV&VI.5.21&VII | 15,117 | 18,136 |
| Other receivables(including from related parties) | VI.27&VII | 33,233 | 186,767 |
| Inventories, net | IV&VI.6 | 913,629 | 1,085,999 |
| Prepayments | VI.7 | 78,080 | 90,651 |
| Other current assets | VI.8 | 31,794 | 53,446 |
| Total current assets | | 2,792,337 | 2,626,542 |
| Non-current assets | | | |
| Financial assets measured at amortized cost, non-current | IV&VI.3&VIII | 33,469 | 34,153 |
| Property, plant and equipment | IV&VI.9&VIII | 3,749,981 | 3,818,782 |
| Right-of-use assets | IV&VI.22 | 316,544 | 339,610 |
| Investment properties, net | IV&VI.10&VIII | 25,006 | 25,839 |
| Intangible assets | IV&VI.11 | 171,045 | 4,930 |
| Deferred tax assets | IV&VI.26 | 243,775 | 37,092 |
| Prepayment for equipments | VI.9 | 21,247 | 107,394 |
| Refundable deposits | | 18,930 | 9,837 |
| Total non-current assets | | 4,579,997 | 4,377,637 |
| Total assets | | $7,372,334 | $7,004,179 |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED 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 | VI.12 | $645,475 | $1,217,646 |
| Financial liabilities measured at fair value through profit or loss, current | IV&VI.13 | - | 768 |
| Contract liabilities, current | IV&VI.20 | 20,471 | 4,107 |
| Notes payable | | 345 | 999 |
| Notes payable-related party | VII | 7,596 | - |
| Accounts payable | | 215,204 | 203,353 |
| Accounts payable-related party | VII | 12,665 | 14,705 |
| Other payables (including related party) | VI.14&VII | 463,053 | 398,154 |
| Income tax payable | IV&VI.26 | 50,578 | 18,350 |
| Provisions,current | IV&VI.16.17 | 118,853 | 244,333 |
| Lease liabilities, current | IV&VI.22 | 17,544 | 18,678 |
| Current portion of long-term loans | VI.15 | 222,093 | 161,647 |
| Refund liabilities | VI.20 | 65,372 | - |
| Other current liabilities | | 1,873 | 3,321 |
| Total current liabilities | | 1,841,122 | 2,286,061 |
| Non-current liabilities | | | |
| Long-term loans | IV&VI.15 | 1,028,092 | 1,157,972 |
| Provisions, non-current | IV&VI.16.17 | 433,333 | 566,264 |
| Deferred tax liabilities | IV&VI.26 | 609,769 | 202,013 |
| Lease liabilities, non-current | IV&VI.22 | 305,965 | 325,368 |
| Other noncurrent liabilities-others | | 1,512 | 1,737 |
| Total non-current liabilities | | 2,378,671 | 2,253,354 |
| Total liabilities | | 4,219,793 | 4,539,415 |
| | | | |
| Equity attributable to the parent company | VI.18 | | |
| Capital | | | |
| Common stock | | 684,123 | 541,154 |
| Advance receipts for ordinary share | | 660 | - |
| Capital surplus | | 1,025,985 | 951,647 |
| Retained earnings | | | |
| 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 | | (23,920) | 10,951 |
| Treasury stock | IV | - | - |
| Total equity | | 3,152,541 | 2,464,764 |
| Total liabilities and equity | | $7,372,334 | $7,004,179 |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2021 and 2020

Unit: Thousands of New Taiwan Dollars

| | Notes | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|---|---|---|---|
| Operating revenue | IV&VI.20&VII | $4,899,885 | $1,799,570 |
| Operating costs | IV&VI.6.16.22.23&VII | (3,228,107) | (1,095,686) |
| Gross profit | | 1,671,778 | 703,884 |
| Operating expenses | IV&VI.16.21.22.23&VII | | |
| Sales and marketing expenses | | (178,361) | (141,242) |
| General and administrative expenses | | (406,159) | (299,913) |
| Research and development expenses | | (41,267) | (36,652) |
| Total operating expenses | | (625,787) | (477,807) |
| Operating income | | 1,045,991 | 226,077 |
| Non-operating income and expenses | | | |
| Other revenue | VI.24 | 47,902 | 15,395 |
| Other gains and losses | VI.24 | (16,309) | (11,961) |
| Financial costs | IV&VI.22.24 | (53,616) | (21,973) |
| Bargain purchase gain | IV&VI.28 | - | 387,861 |
| Total non-operating income and expenses | | (22,023) | 369,322 |
| Net income before income tax | | 1,023,968 | 595,399 |
| Income tax expense | IV&VI.25.26 | (274,232) | (16,973) |
| Net income | | 749,736 | 578,426 |
| Other comprehensive income | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | |
| Gains (losses) on remeasurements of defined benefit plans | VI.16.25 | 6,170 | - |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | VI.25.26 | (1,635) | - |
| To be reclassified to profit or loss in subsequent periods | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | IV&VI.25 | (49,257) | 20,027 |
| Income tax related to items to be reclassified subsequently to profit or loss | IV&VI.25.26 | 9,851 | (4,005) |
| Total other comprehensive income, net of tax | | (34,871) | 16,022 |
| Total comprehensive income | | $714,865 | $594,448 |
| Net income attributable to: | | | |
| Stockholders of the parent | | $749,736 | $578,426 |
| Non-controlling interests | | $- | $- |
| Comprehensive income attributable to: | | | |
| Stockholders of the parent | | $714,865 | $594,448 |
| Non-controlling interests | | $- | $- |
| Earnings per share (NTD) | IV&VI.27 | | |
| 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 consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2021 and 2020

Unit: Thousands of New Taiwan Dollars

| Items | Equity attributable to the parent company | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | share capital | | | Retained Earnings | | | Other equity | | | | |
| | Common Stock | Advance receipts for ordinary share | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange differences resulting from translating the financial statements of foreign operations | Unrealized gain (Loss) on financial assets at fair value through other comprehensive income | Remeasurements of the defined benefit plan | Treasury stock | |
| 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 option | - | 660 | 3,656 | - | - | - | - | - | - | - | 4,316 |
| Share-based payment transactions-stock based compensation | - | - | 12,465 | - | - | - | - | - | - | - | 12,465 |
| Share-based payment transactions-conversion of stock option | 7,680 | - | 54,912 | - | - | - | - | - | - | - | 62,592 |
| Share-based payment transactions-stock option 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 consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2021 and 2020

Unit: Thousands of New Taiwan Dollars

| Items | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income before income tax | $1,023,968 | $595,399 |
| Adjustments for: | | |
| Income and expense adjustments: | | |
| Depreciation | 181,111 | 124,626 |
| Amortization | 29,054 | 16,401 |
| Net loss (gain) on financial assets or liabilities measured at fair value through profit or loss | (782) | 903 |
| Interest expense | 53,616 | 21,973 |
| Interest income | (223) | (961) |
| Share-based payment expenses | 15,770 | 28,710 |
| Loss on disposal of property, plant and equipment | 2,238 | 2 |
| Loss (gain) on disposal of other assets | (14) | - |
| Bargain gain | - | (387,861) |
| Total income and expense adjustments: | 280,770 | (196,207) |
| Changes in operating assets and liabilities: | | |
| Notes receivable, net | (525) | 13,122 |
| Notes receivable-related party, net | (2,233) | 3,564 |
| Trade receivables, net | (285,405) | (212,821) |
| Trade receivables-related party, net | 3,019 | (5,165) |
| Inventories, net | 172,370 | (190,928) |
| Prepayments | 12,571 | (57,906) |
| Other receivables (including from related parties) | (11,039) | (8,775) |
| Other current assets | 21,652 | (13,110) |
| Contract liabilities, current | 16,364 | (1,552) |
| Notes payable | (654) | (3,423) |
| Notes payable-related party | 7,596 | (3,315) |
| Accounts payable | 11,851 | 154,994 |
| Accounts payable-related party | (2,040) | 7,896 |
| Other payables (including related party) | 169,364 | 133,615 |
| Provisions | (226,978) | (15,276) |
| Refund liabilities | 65,372 | - |
| Other current liabilities | (1,448) | 768 |
| Cash generated from operations | 1,254,575 | 200,880 |
| Interest received | 223 | 961 |
| Income tax paid | (18,163) | (24,051) |
| Net cash provided by operating activities | 1,236,635 | 177,790 |

| Items | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|---|---|---|
| Cash flows from investing activities: | | |
| Proceeds from disposal of financial assets at amortized cost | - | 7,247 |
| Proceeds from disposal of financial assets at fair value through profit or loss | - | 60,106 |
| Acquisition of subsidiary (net of cash acquired) | (3,834) | (1,382,901) |
| Acquisition of property, plant and equipment | (163,478) | (44,973) |
| Disposal of property, plant and equipment | 83 | 137 |
| Increase in refundable deposits | (9,093) | (6,127) |
| Other receivables | 64,430 | (64,430) |
| Acquistion of intangible assets | (200,102) | (2,862) |
| Prepayment for equipments | 86,147 | (104,257) |
| Net cash used in investing activities | (225,847) | (1,538,060) |
| Cash flows from financing activities: | | |
| Increase in short-term loans | - | 992,646 |
| Decrease in short-term loans | (572,171) | - |
| Proceeds from long-term loans | 100,000 | 540,619 |
| Repayment of long-term loans | (154,549) | (115,149) |
| Repayment of the principal od lease liabilities | (17,480) | (9,433) |
| Increase in other current liabilities | (225) | - |
| Cash dividends | (109,766) | (83,254) |
| Treasury stock sold to employees | - | 2,404 |
| Employee stock options exercised | 66,908 | - |
| Interest paid | (54,115) | (18,990) |
| Proceeds from issuance of common stock | - | 268,705 |
| Net cash (used in) provided by financing activities | (741,398) | 1,577,548 |
| Effect of exchange rate changes on cash and cash equivalents | (28,626) | 28 |
| Net Increase  in cash and cash equivalents | 240,764 | 217,306 |
| Cash and cash equivalents at beginning of period | 669,985 | 452,679 |
| Cash and cash equivalents at end of period | $910,749 | $669,985 |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2021 and 2020

(Amounts are expressed in Thousands of New Taiwan Dollars, unless Otherwise Specified)

## 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 consolidated financial statements of the Company and its subsidiaries ("the Group") 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 Group 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 adoption of these new standards and amendments had no material impact on the Group.

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 Group as 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 Group.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as 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 Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group determined that the new or amended standards and interpretations have no material impact on the Group.

IV. <u>Summary of significant accounting policies</u>

1. Statement of compliance

The consolidated financial statements of the Group 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") and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRSs").

2. Basis of preparation

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

3. Basis of consolidation

<u>Preparation principle of consolidated financial statements</u>

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a. activities of the investee;
b. exposure, or rights, to variable returns from its involvement with the investee; and
c. the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee;
b. rights arising from other contractual arrangement;
c. the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
b. derecognizes the carrying amount of any non-controlling interest;
c. recognizes the fair value of the consideration received;
d. recognizes the fair value of any investment retained;
e. recognizes any surplus or deficit in profit or loss; and
f. reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are as follows:

| | | | Percentage of Ownership (%) | |
|---|---|---|---|---|
| Investor | Subsidiary | Major business | 31 December 2021 | 31 December 2020 |
| The Company | Union Chemical & Pharmaceutical Co., Ltd. | Pharmaceutical Manufacturing and wholesale | 100% | 100% |
| The Company | Bora Health Inc. (Note 1) | Pharmaceutical wholesale and healthcare product wholesale | 100% | 100% |
| The Company | Bora Pharmaceutical Laboratories Inc. | Pharmaceutical Manufacturing and CDMO | 100% | 100% |
| The Company | Bora Pharmaceuticals USA Inc. | Pharmaceutical wholesale | 100% | 100% |
| The Company | Bora Pharmaceutical Services Inc. | Pharmaceutical Manufacturing and CDMO | 50% | 50% (Note 2) |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceutical Services Inc. | Pharmaceutical Manufacturing and CDMO | 50% | 50% (Note 2) |
| The Company | Bora Management Consulting Co., Ltd. | Management & Consulting | 100% (Note 3) | - |
| The Company | Bora Pharmaceutical and Consumer Health Inc. | Cosmetics Wholesale ; Management & Consulting | 100% (Note 4) | - |

Note 1: Yuta Health Co., Ltd. was renamed to Bora Health Inc. and completed the registration in June 2021.

Note 2: The Group registered and established Bora Pharmaceutical Services Inc. with a capital of CAD 20,000 thousand in Canada. The Group has control over Bora Pharmaceutical Services Inc.

Note 3: The Company registered and established a wholly-owned subsidiary, Bora Management Consulting Co., Ltd. with a capital of NT$ 1,000 thousand in April 2021.

Note 4: The Company registered and established a wholly-owned subsidiary, Bora Pharmaceutical and Consumer Health Inc., with a capital of NT$100 thousand in December 2021. Subsequent to the year end, Bora Pharmaceutical and Consumer Health Inc. was rename as Bora Biologics Co., Ltd. in March 2022.

4. Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group 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 as 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.

5. 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.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

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

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group 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 Group expects to settle the liability in its normal operating cycle
(b) The Group 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 Group 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

7. 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.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group 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 Group’s business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial assets.

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 party), other receivables (including related party), financial assets measured at amortized cost, etc., on the consolidated balance sheets as 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 Group 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 Group 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 Group 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 Group 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 Group 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 on 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 consolidated balance sheet 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 Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost.

The Group 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 Group 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 Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group 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 Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Group 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

Classification between liabilities or equity

The Group 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.

Equity instruments

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.

Financial liabilities

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.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-

term profit-taking

C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities measured at amortized cost

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 consolidated balance sheet 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.

9. Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

10. 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 Group.

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 Group 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.

11. 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.

12. 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 Group 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 equipmen*t. 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 | 1～16 years |
| Testing equipment | 3～10 years |
| Transportation equipment | 5～ 6 years |
| Office equipment | 2～10 years |
| Leasehold improvements | 5～10 years |
| Other equipment | 2～11 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.

13. Investment properties

The Group'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 property 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 property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

The Group 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 property and there is evidence of the change in use.

14. Leases

The Group 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 Group 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 Group 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 Group 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 Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

<u>Group as a lessee</u>

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

At the commencement date, the Group measures the lease liability 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 Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability 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 as 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 Group 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 Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group 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 liability;
(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 Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group 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 Group 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 Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the consolidated 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 Group 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.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Group have applied the practical expedient to all rent concessions that meet the conditions for it.

Group as a lessor

At inception of a contract, the Group 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 Group recognizes assets held under a finance lease in its balance sheet 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 Group allocates the consideration in the contract applying IFRS 15.

The Group 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.

15. 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 as 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.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group 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 Group's intangible assets is as follows:

| Category | Software | Exclusive technology | Drug Licenses | Right of Agency |
|---|---|---|---|---|
| Useful lives | 5 years | 5 years | 10 years | 5 years |
| Amortization methods | Straight line method | Straight line method | Straight line method | Straight line method |

16. Impairment of non-financial assets

The Group 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 Group 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 Group 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.

17. Provisions

Provisions are recognized when the Group 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 Group 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.

Provision for onerous contracts

Provisions for onerous contracts are estimated based on past experiences and other known factors.

Provisions for sales returns and discounts

Provisions for sales returns and discounts are estimated based on past experiences and other known factors in accordance with IFRS 15, and deducted from sales revenue.

Provisions for employee benefits

Provisions for employee benefits are recognized for employees' cumulative and unused benefits obligations at the reporting days.

18. 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.

19. Revenue recognition

The Group'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 Group 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 Group 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 Group 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 contracts, and the Group 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 Group 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 customer and the goods are delivered to the customers.

20. 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.

21. 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 Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

The foreign subsidiaries make contributions to the plan based on the requirements of local regulations for those employees who are eligible to local defined contribution plan.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to other equity in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(1) the date of the plan amendment or curtailment, and

(2) the date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

22. Shared-based payment transactions

The cost of equity-settled transactions between the Group 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 Group’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 as 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 Group 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.

23. 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 Group 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.

24. 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 Group 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 as 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.

V. Significant accounting judgements, estimates and assumptions

The preparation of the Group'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 Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Revenue recognition
For some toll manufacturing or dealer contracts, the Group 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 Group's recognized revenue.

(b) Operating lease commitment－group as the lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(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 VI for more details.

(b) Revenue recognition－sales returns and discounts
The Group estimates sales returns and discounts based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note VI 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 Group 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) Accounts receivables–estimation of impairment loss

The Group estimates the impairment loss of accounts receivables 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 VI for more details.

(e) Share-based payment transactions

The Group 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.

(f) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the discount rate, trend rate, claim cost, etc.

(g) Assessment to goodwill arising from business combinations

The assessments to the fair value of the assets and liabilities of GlaxoSmithKline Inc. ("GKS") at the date of the Group's acquisition over GSK's operating assets and the amount of goodwill are based on an external specialist report, involving multiple assumptions in financial models, parameter inputs, and relevant accounting estimates. Please refer to Note VI for more details that might materially affect the amount of goodwill recognized.

## VI. Contents of significant accounts

### 1. Cash and cash equivalents

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Cash on hand & demand deposits | $910,749 | $669,985 |

2. Financial assets measured at fair value through profit or loss, current

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Mandatorily measured at fair value through profit or loss： | | |
| Derivatives not designated as hedging instruments－Forward foreign exchange agreements | $78 | $64 |
| Current | $78 | $64 |

Financial assets measured at fair value through profit or loss, current were not pledged.

3. Financial assets measured at amortized cost, non-current

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Time deposits－Pledged | $33,469 | $34,153 |
| Non-current | $33,469 | $34,153 |

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note VIII for more details on financial assets measured at amortized cost under pledge and Note XII for more details on credit risk.

4. Notes receivable and other notes receivables-related party

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Notes receivable from operation, gross | $24,325 | $23,800 |
| Less: loss allowance | - | - |
| Subtotal | 24,325 | 23,800 |
| Notes receivable from related party, gross | 2,233 | - |
| Less: loss allowance | - | - |
| Subtotal | 2,233 | - |
| Total | $26,558 | $23,800 |

Notes receivables were not overdue and not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note VI.21 for more details on loss allowance and Note XII for details on credit risk.

5. Accounts receivables and accounts receivables-related party

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Accounts receivables, gross | $785,393 | $498,921 |
| Less: loss allowance | (2,294) | (1,227) |
| Subtotal | 783,099 | 497,694 |
| Accounts receivable from related party, gross | 15,117 | 18,136 |
| Less: loss allowance | - | - |
| Subtotal | 15,117 | 18,136 |
| Total | $798,216 | $515,830 |

Accounts receivables were not pledged.

The terms of accounts receivables are generally on 30~180-days. The total carrying amount as of 31 December 2021 and 31 December 2020 are NT$800,510 thousand and NT$517,057 thousand, respectively. Please refer to Note VI.21 for more details on loss allowance of accounts receivables for the years ended 31 December 2021 and 2020. Please refer to Note XII for more details on credit risk management.

6. Inventories

(1) Details on net inventories are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Raw materials | $430,640 | $652,218 |
| Supplies & parts | 114,105 | 2,617 |
| Work in progress | 15,240 | 227,350 |
| Semi-finished goods | 120,617 | 900 |
| Finished goods | 130,106 | 133,692 |
| Merchandise | 102,921 | 69,222 |
| Total | $913,629 | $1,085,999 |

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

| | For the year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Cost of goods sold | $3,176,188 | $1,092,094 |
| Inventories shortage (overage) | (3,339) | 14 |
| Write-down of inventories loss (gains from price recovery) | 55,258 | 3,578 |
| Total | $3,228,107 | $1,095,686 |

(3) The cost of inventories recognized in operating costs amounted to NT$3,228,107 thousand and NT$1,095,686 thousand for the years ended 31 December 2021 and 2020, respectively, including the write-down of inventories to the net realizable value in the amount of NT$55,258 thousand and NT$3,578 thousand for the years ended 31 December 2021 and 2020, respectively.

(4) No Inventories were pledged.

7. Prepayments

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Advances to vendors | $15,014 | $25,823 |
| Prepayment for distribution rights | - | 13,500 |
| Prepaid rent | - | 375 |
| Prepaid insurance | 7,719 | 5,171 |
| Prepaid business tax | 21,453 | 13,998 |
| Others | 33,894 | 31,784 |
| Total | $78,080 | $90,651 |

8. Other current assets

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Payment on behalf of others (Note) | $27,817 | $37,174 |
| Temporary payments | 726 | 6,077 |
| Others | 3,251 | 10,195 |
| Total | $31,794 | $53,446 |

Note: Payment on behalf of others represent the payments the Group's made for the purchases of materials on behalf of the Group's OEM clients.

## 9. Property, plant and equipment

| | Land | Buildings | Machinery and equipment | Testing equipment | Transportation equipment | Office equipment | Leasehold improvements | Other equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | | |
| 1 January 2021 | $2,020,639 | $1,329,410 | $716,869 | $75,350 | $570 | $4,177 | $8,103 | $45,351 | $- | $4,200,469 |
| Addition | - | 80,529 | 54,136 | 372 | - | 5,228 | - | 8,854 | 14,359 | 163,478 |
| Disposals | - | (1,120) | (15,657) | (1,780) | - | (119) | (8,103) | (7,634) | - | (34,413) |
| Reclassification | - | 3,626 | (37,341) | - | - | - | - | 35,951 | (2,236) | - |
| Exchange differences | (36,935) | (19,855) | (13,340) | (1,914) | - | - | - | - | (398) | (72,442) |
| 31 December 2021 | $1,983,704 | $1,392,590 | $704,667 | $72,028 | $570 | $9,286 | $- | $82,522 | $11,725 | $4,257,092 |
| 1 January 2020 | $889,813 | $719,278 | $336,526 | $15,638 | $570 | $4,143 | $8,103 | $39,378 | $- | $2,013,449 |
| Acquisitions through business combinations | 1,108,014 | 597,977 | 348,932 | 57,634 | - | - | - | - | - | 2,112,557 |
| Addition | 4,315 | 2,756 | 27,489 | 1,120 | - | 51 | - | 9,242 | - | 44,973 |
| Disposal | - | (545) | (2,007) | - | - | (17) | - | (3,269) | - | (5,838) |
| Exchange differences | 18,497 | 9,944 | 5,929 | 958 | - | - | - | - | - | 35,328 |
| 31 December 2020 | $2,020,639 | $1,329,410 | $716,869 | $75,350 | $570 | $4,177 | $8,103 | $45,351 | $- | $4,200,469 |
| | | | | | | | | | | |
| Depreciation and impairment: | | | | | | | | | | |
| 1 January 2021 | $- | $113,015 | $222,983 | $10,555 | $476 | $3,264 | $6,723 | $24,671 | $- | $381,687 |
| Depreciation | - | 51,689 | 91,667 | 11,092 | 2 | 957 | 448 | 4,380 | - | 160,235 |
| Disposals | - | (1,030) | (15,031) | (1,139) | - | (99) | (7,171) | (7,622) | - | (32,092) |
| Reclassification | - | 1,390 | (37,341) | - | - | - | - | 35,951 | - | - |
| Exchange differences | - | (617) | (1,756) | (10,307) | - | - | - | 9,961 | - | (2,719) |
| 31 December 2021 | $- | $164,447 | $260,522 | $10,201 | $478 | $4,122 | $- | $67,341 | $- | $507,111 |
| 1 January 2020 | $- | $80,024 | $155,403 | $8,355 | $452 | $2,920 | $6,165 | $21,809 | $- | $275,128 |
| Depreciation | - | 33,486 | 69,468 | 2,187 | 24 | 358 | 558 | 6,081 | - | 112,162 |
| Disposals | - | (519) | (1,947) | - | - | (14) | - | (3,219) | - | (5,699) |
| Exchange differences | - | 24 | 59 | 13 | - | - | - | - | - | 96 |
| 31 December 2020 | $- | $113,015 | $222,983 | $10,555 | $476 | $3,264 | $6,723 | $24,671 | $- | $381,687 |
| | | | | | | | | | | |
| Net carrying amount as at: | | | | | | | | | | |
| 31 December 2021 | $1,983,704 | $1,228,143 | $444,145 | $61,827 | $92 | $5,164 | $- | $15,181 | $11,725 | $3,749.981 |
| 31 December 2020 | $2,020,639 | $1,216,395 | $493,886 | $64,795 | $94 | $913 | $1,380 | $20,680 | $- | $3,818,782 |

(1) Components of building that have different useful lives are main building structure, relevant constructions (such as air conditioning units and electrical machinery), which are depreciated over 20 to 50 years and 8 to 10 years, respectively.
(2) Interests were not capitalized 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.10 for more details on the purchase of office buildings for the purpose of operations, for which parts of them for leasing has been recognized as investment property in proportion, and the rests are for private use.

10. Investment properties

The Group's owns investment properties. The Group 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 as of: | |
| 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 Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties is NT$73,714 thousand and NT$73,714 thousand, as of 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% |

11. Intangible assets

| | Exclusive technology | Software | Other intangible assets | Total |
|---|---|---|---|---|
| Cost: | | | | |
| 1 January 2021 | $100 | $22,068 | $15,739 | $37,907 |
| Addition | - | 179,102 | 21,000 | 200,102 |
| Exchange differences | - | (5,660) | - | (5,660) |
| 31 December 2021 | $100 | $195,510 | $36,739 | $232,349 |
| 1 January 2020 | $100 | $19,206 | $15,739 | $35,045 |
| Addition | - | 2,862 | - | 2,862 |
| 31 December 2020 | $100 | $22,068 | $15,739 | $37,907 |
| Amortization and impairment: | | | | |
| 1 January 2021 | $100 | $17,702 | $15,175 | $32,977 |
| Amortization | - | 24,854 | 4,200 | 29,054 |
| Exchange differences | - | (727) | - | (727) |
| 31 December 2021 | $100 | $41,829 | $19,375 | $61,304 |
| 1 January 2020 | $100 | $16,476 | $- | $16,576 |
| Amortization | - | 1,226 | 15,175 | 16,401 |
| 31 December 2020 | $100 | $17,702 | $15,175 | $32,977 |

| | Exclusive technology | Software | Other intangible assets | Total |
|---|---|---|---|---|
| Net book value: | | | | |
| 31 December 2021 | $- | $153,681 | $17,364 | $171,045 |
| 31 December 2020 | $- | $4,366 | $564 | $4,930 |

Intangible assets amortization

| | 1 January ~ 31 December 2021 | 1 January ~ 31 December 2020 |
|---|---|---|
| Included in operating costs: | | |
| Amortization | $19,494 | $15,175 |
| Included in operating expenses: | | |
| Amortization | $9,560 | $1,226 |

12. Short-term loans

| | Interest rates (%) | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| Unsecured bank loans | 1.20%~1.425% | $213,075 | $419,500 |
| Secured bank loans | 1.15%~2.39% | 432,400 | 798,146 |
| Total | | $645,475 | $1,217,646 |

The Group's secured bank loans include the syndicated loan led by CTBC Bank Co., Ltd. The Company and Bora Pharmaceutical Laboratories Inc., the Company's wholly-owned subsidiary, each pledged 100,000 thousand shares of Bora Pharmaceutical Services Inc. as enhanced security, with property, plant, equipment pledged as security for the rest of short-term loans. Please refer to Note VIII for more details.

13. Financial liabilities measured at fair value through profit or loss

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Held for trading purpose: | | |
| Derivatives not designated as hedging instruments－ | | |
| Forward foreign exchange agreements | $- | $768 |

14. Other payables (including related party)

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Investments payable | $15,645 | $119,100 |
| Salaries payable | 47,709 | 65,692 |
| Employees' and directors' remuneration payable | 33,226 | 17,972 |
| Equipment payable | 14,107 | 6,864 |
| Bonus payable | 132,351 | 36,926 |
| Repair and maintenance payable | 20,572 | 15,985 |
| Professional service fees payable | 19,521 | 35,068 |
| Property taxes payable | 2,759 | 13,560 |
| Facility management fees payable | 45,958 | 15,566 |
| Interests payable | 2,666 | 3,165 |
| Utilities payable | 12,051 | - |
| Freight payable | 9,427 | - |
| Other payables | 107,061 | 68,256 |
| Total | $463,053 | $398,154 |

15. Long-term loans

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

| Lenders | 31 December 2021 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---|---|---|
| Chang Hwa secured bank loans | $534,000 | 1.15% | 23 December 2019 to 23 December 2034. 156 monthly installments (principal and interests), starting from 23 December 2021. |
| O-Bank unsecured bank loans | 100,000 | 0.9837% | 29 November 2021 to 01 November 2024.<br>7 quarterly installments (principal and interests), starting from 01 May 2023. |
| CTBC secured bank loans | 175,000 | 1.3407% | 30 June 2020 to 30 June 2023.<br>Quarterly installments (principal) of NT$17,500 thousand, from 30 September 2020 to the maturity date, 30 June 2023. Repaid the remaining outstanding principal at maturity date with floating interest rate. |
| CTBC syndicated bank loans | 455,157 | 2.394% | 27 November 2020 to 27 November 2025.<br>19 quarterly installments (principal and interests), starting from 26 May 2021. |
| Subtotal | 1,264,157 | | |
| Less: unamortized issuance cost | (13,972) | | |
| Subtotal | 1,250,185 | | |
| Less: current portion | (222,093) | | |
| Total | $1,028,092 | | |

| Lenders | 31 December 2020 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---|---|---|
| Chang Hwa secured bank loans | $534,000 | 1.11% | 23 December 2019 to 23 December 2034. 156 monthly installments (principal and interests), starting from 23 December 2021. |
| CTBC secured bank loans | 245,000 | 1.3365% | 30 June 2020 to 30 June 2023. Quarterly installments (principal) of NT$17,500 thousand from 30 September 2020 to the maturity date, 30 June 2023. Repaid the remaining outstanding principal at maturity date with floating interest rate. |
| CTBC syndicated bank loans | 558,750 | 2.39% | 27 November 2020 to 27 November 2025. 19 quarterly installments (principal and interests), starting from 26 May 2021. |
| Subtotal | 1,337,750 | | |
| Less: unamortized issuance cost | (18,131) | | |
| Subtotal | 1,319,619 | | |
| Less: current portion | (161,647) | | |
| Total | $1,157,972 | | |

(1) The Company and Bora Pharmaceutical Laboratories Inc., the Company's wholly-owned subsidiary, each pledged 100,000 thousand shares of Bora Pharmaceutical Services Inc. as enhanced security to the syndicated loan led by CTBC Bank. Please refer to Note VIII for more details on pledges for syndicated loan.

(2) The aforementioned secured loan by Bora Pharmaceutical Laboratories Inc. (the "Borrower") with CTBC Bank that expired in March 2021, has been extended to 30 June 2023, with same quarterly installments of NT$17,500 thousand as initial contract. During the term of the contract, the Company (the "Guarantor") should be compiled with following financial covenants. The financial covenants shall be tested based on audited or reviewed financial statements on a semi-annually basis:

① The Guarantor's current ratio shall not be less than 120%.

② The Guarantor's debt ratio (total liabilities over tangible net assets) shall not be higher than 180 % by the end of 2021 and 150% since 2022.

③ The Guarantor's interest coverage ratio (EBITDA over interest expense) shall not be less than 5.

④ The Guarantor's tangible net assets shall be maintained NT$ 1,600,000 thousand above.

⑤ The aforementioned financial ratios shall be reviewed by 15 April and 31 August every year, with the first-time review date of 31 August 2021.

⑥ On the circumstances that the borrower breaks the restriction defined in the contract, CTBC Bank has the right pursuant to covenants to take actions, including the steps below but not limited to:

a. Terminate the loan or reduce the amount.

b. Shortening the credit period of the loan.

c. Declare the loan then outstanding to be due and payable in whole, and thereupon the principal of the loan so declared to be due and payable, together with accrued interest thereon and all fees and other obligations.

These restrictions have been lifted in May 2021.

(3) In the fourth quarter of 2020, the Company (the “Guarantor”) and the Company’s subsidiary, Bora Pharmaceutical Service Inc. (the “Borrower”), entered into a syndicated loan agreement with CTBC Bank (the Agent) and other 13 banks, amounting to NT$540,500 thousand (CAD25,000 thousand). The aim of the loan agreement is to provide the Borrower with the capital to purchase operating assets. The period of the loan agreement starts from the utilizing day of the loan that is within 6 months from the sign-up date, to 5 years later until the maturity date. As of 31 December 2021, the credit facility of syndicated loan amounted to NT$540,500 thousand (CAD25,000 thousand), with the outstanding loan amounting to NT$455,157 thousand (CAD21,053 thousand). During the term of the contract, the Company (the “Guarantor”) should be compiled with following financial covenants. The financial convenants shall be tested based on audited or reviewed financial statements on a semi-annually basis:

①The Borrower’s leverage ratio (total borrowings over EBITDA) shall not be higher than 5.

②The Borrower’s interest coverage ratio (EBITDA over interest expense) shall not be less than 5.

③The Guarantor’s current ratio shall not be less than 120%.

④The Guarantor’s debt ratio (total liabilities over tangible net assets) shall not be higher than 180 % by the end of 2021, 150% since 2022, and 120% since 2024.

⑤The Guarantor’s interest coverage ratio (EBITDA over interest expense) shall not be less than 5.

⑥The Guarantor’s tangible net assets shall be maintained NT$1,600,000 thousand above.

⑦In the event that the borrower violates the restriction defined in the contract, CTBC Bank or at the request of the majority lenders has the right pursuant to covenants to take actions, including the steps below but not limited to:

a. Terminate the Borrower to utilize the loan in whole or in part.

b. Cease the unused loans in whole are in part.

c. Declare the loans then outstanding to be due and payable in whole or in part, and thereupon the principal of the loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations under the loan agreement the Borrower accrued.

d. Request to repay the principal.

e. Exercise on behalf of itself and the lenders all rights and remedies available to it and the lenders under the loan agreement and applicable law.

f. Exercise on behalf of itself and other lenders based on majority rule.

⑧The first review days for aforementioned Borrower's and Guarantor's financial ratios are on 31 December 2021 and 30 June 2021, respectively.

There is no violation of the financial covenant at 31 December 2021.

16. Post-employment benefits

Defined contribution plan

The Group adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group have 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 are NT$52,614 thousand and NT$21,256 thousand, respectively.

Defined benefits plan

Bora Pharmaceutical Services Inc., a subsidiary of the Company, provides post-retirement medical benefits for employees who have completed ten years of service and are 55 years old. This post-retirement medical benefit scheme is a defined benefits plan which is funded on a pay-as-you-go basis by contributions from the Company and includes prescription drugs, extended health, vision, dental and life insurance benefit.

As of 31, December, 2021, the estimated defined benefits cost for year 2022 are NT$8,747.

Pension costs recognized in profit or loss are as follows:

| | 2021 | 2020 |
|---|---|---|
| Current service cost (Note) | $13,633 | $1,061 |
| Net interest on the net defined benefit liabilities | 398 | 29 |
| Total | $14,031 | $1,090 |

Note: The current service cost recognized by the post-retirement medical benefit was classified as labor and health insurances of personnel expenses.

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

| | 31 December 2021 | 31 December 2020 | 1 January 2020 |
|---|---|---|---|
| Defined benefit obligation | $8,453 | $1,090 | $- |
| Plan assets at fair value | - | - | - |
| Provisions-non-current | $8,453 | $1,090 | $- |

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit obligation/ (assets) |
|---|---|---|---|
| As of 1 January 2020 | $- | $- | $- |
| Current service cost | 1,061 | - | 1,061 |
| Interest expense | 29 | - | 29 |
| As of 31 December 2020 | $1,090 | $- | $1,090 |
| Current service cost | 13,633 | - | 13,633 |
| Interest expenses | 398 | - | 398 |
| Subtotal | 15,121 | - | 15,121 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Changes in financial assumptions | (640) | - | (640) |
| Experience adjustments | (5,530) | - | (5,530) |
| Subtotal | (6,170) | - | (6,170) |
| Benefit paid by the employer | - | - | - |
| Employer Contribution | - | - | - |
| Exchange differences | (498) | - | (498) |
| As of 31 December 2021 | $8,453 | $- | $8,453 |

The principal assumptions used in determining the Company’s defined benefit plan are shown below:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Discount rate | 3.10% | 2.70% |
| Initial trend rate | 5.20% | 5.20% |
| Ultimate trend rate | 4.00% | 4.00% |

Sensitivity analysis when main acturial assumption change was as follow:

| | January 1, 2021~ December 31, 2021 | | January 1, 2020~ December 31, 2020 | |
|---|---|---|---|---|
| | Defined benefit obligations | | Defined benefit obligations | |
| | Increase by | Decrease by | Increase by | Decrease by |
| Discount rate decrease/increase by 1% | $1,717 | $(1,373) | (Note) | (Note) |
| Trend rate decrease/increase by 1% | 1,479 | (679) | (Note) | (Note) |

Note: The acquisition of GSK facility was completed on December 1, 2020, there was no significant impact on the value of defined benefit obligation when discount rate or trend rate adjusted by 1%. Therefore, the relevant impact has not been disclosed separately.

The sensitivity analysis above is based on one assumption which changed while the other assumptions remain unchanged. In practice, more than one assumption may change all at once. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and types of assumptions used in preparing the sensitivity analysis compared to the previous period.

17. Provision

| | Onerous contracts | Sales returns and discounts | Employee benefits | Total |
|---|---|---|---|---|
| 1 January 2021 | $633,943 | $7,937 | $168,717 | $810,597 |
| Provision during the period | - | 1,112 | 14,807 | 15,919 |
| Utilized | (222,560) | (9,049) | (18,046) | (249,655) |
| Reversal during the period | - | - | - | - |
| Remeasurement Effect recognized in other comprehensive income | - | - | (6,170) | (6,170) |
| Exchange differences | (13,403) | - | (5,102) | (18,505) |
| 31 December 2021 | $397,980 | $- | $154,206 | $552,186 |
| | | | | |
| 1 January 2020 | $- | $10,059 | $9,408 | $19,467 |
| Acquisitions through business combinations | 641,747 | - | 151,670 | 793,417 |
| Provision during the period | - | 5,783 | 5,447 | 11,230 |
| Utilized | (18,173) | (7,905) | (428) | (26,506) |
| Exchange differences | 10,369 | - | 2,620 | 12,989 |
| 31 December 2020 | $633,943 | $7,937 | $168,717 | $810,597 |
| | | | | |
| Current－31 December 2021 | $100,923 | $- | $17,930 | $118,853 |
| Non-current－31 December 2021 | 297,057 | - | 136,276 | 433,333 |
| | | | | |
| Current－31 December 2020 | $222,526 | $7,937 | $13,870 | $243,333 |
| Non-current－31 December 2020 | 411,417 | - | 154,847 | 566,264 |

Onerous contracts

Provisions are recognized for onerous contracts, based on experience and other known factors.

Sales returns and discounts

Provisions for sales returns and discounts are estimated based on past experiences and other known factors in accordance with IFRS 15, and deducted from operating revenue.

Employee benefits

Provisions for employee benefits are recognized for employees' cumulative and unused benefits obligations at the reporting date.

18. 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, 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 have not completed the registration process, and were recorded as share capital - advance receipts for ordinary share.

(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 option | 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 R.O.C 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, is 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. 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) | - | - |
| Common stock－cash dividend | 239,828 | 109,766(Note) | 3.5 | 2 |
| Common stock－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 issued in 2018 in 2021.

Please refer to Note VI.23 for details on employees' compensation and remuneration to directors and supervisors.

19. Share-based payment plans

Certain employees of the Group 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 stock 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 stock options as of 31 December 2021 and 2020, is as follows:

| | Range of exercise price | Weighted average remaining contractual life (Years) |
|---|---|---|
| As of 31 December 2021 share options outstanding at the end of the period | $65.4~$220.7 | 0~3.66 |
| As of 31 December 2020 share options outstanding at the end of the period | $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 | $15,770 | $20,833 |

20. Operating revenue

Analysis of revenue from contracts with customers for the years ended 31 December 2021 and 2020 are as follows:

(1) Disaggregation of revenue

| | 2021 | 2020 |
|---|---|---|
| Revenue from contracts with customers | | |
| Sales of goods | $460,743 | $447,432 |
| CDMO | 4,376,586 | 1,311,945 |
| Others | 62,556 | 40,193 |
| Total | $4,899,885 | $1,799,570 |

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.

(2) Contract liabilities－current

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Sales of goods | $20,471 | $4,107 |

The significant changes in the Group'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 | $(1,861) | $(4,375) |
| Adjustment due to the change of the estimation of transaction price | 8,196 | - |

(3) Transaction price allocated to unsatisfied performance obligations
None

(4) Assets recognized from costs to fulfil a contract
None

(5) The changes in the refund liabilities are as follows

| | Sales discount |
|---|---|
| Balance as of 1 January 2021 | $- |
| Addition/(reversal) | 65,372 |
| Balance as of 31 December 2021 | $65,372 |

Refund liabilities represents the estimated sales discounts and allowance.

21. Expected credit losses/ (gains)

| | 2021 | 2020 |
|---|---|---|
| Operating expenses – Expected credit losses/(gains) | | |
| Receivables | $1,067 | $(799) |

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

Provisions for receivables, including note receivables and accounts receivables are estimated at an amount equal to lifetime expected credit losses. The relevant explanation in the evaluation to the amount of provisions for the year ended 31 December 2021 and 2020 is as follows:

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

As of 31 December 2021

| Group 1 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $474,760 | $39,914 | $1,654 | $- | $5,509 | $1,246 | $523,083 |
| Loss rate | 0% | 0% | 0% | 0% | 0% | 0% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - |
| Net | 474,760 | 39,914 | 1,654 | - | 5,509 | 1,246 | 523,083 |

| Group 2 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $300,688 | $998 | $3 | $- | $11 | $2,285 | $303,985 |
| Loss rate | 0% | 1.92% | 37.19% | 37.37% | 56.27% | 83.82%-100% | |
| Lifetime expected credit losses | - | 1 | 2 | - | 6 | 2,285 | 2,294 |
| Net | 300,688 | 997 | 1 | - | 5 | - | 301,691 |
| Receivables, net | | | | | | | $824,774 |

As of 31 December 2020

| Group 1 | | | | Overdue | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $152,489 | $- | $137 | $- | $136 | $- | $152,762 |
| Loss rate | 0% | 0% | 0% | 0% | 0% | 0% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - |
| Net | 152,489 | - | 137 | - | 136 | - | 152,762 |

| Group 2 | | | | overdue | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $373,805 | $9,111 | $3,750 | $26 | $161 | $1,242 | $388,095 |
| Loss rate | 0% | 1.51% | 1.53% | 2.44% | 29.36% | 42%-100% | |
| Lifetime expected credit losses | - | 182 | 1 | 1 | 16 | 1,027 | 1,227 |
| Net | 373,805 | 8,929 | 3,749 | 25 | 145 | 215 | 386,868 |
| Receivables, net | | | | | | | $539,630 |

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

| | Accounts receivables |
|---|---|
| Balance as of 1 January 2021 | $1,227 |
| Provision/(reversal) | 1,067 |
| Write off | - |
| Balance as of 31 December 2021 | $2,294 |
| Balance as of 31 January 2020 | $2,067 |
| Provision /(reversal) | (799) |
| Write off | (41) |
| Balance as of 31 December 2020 | $1,227 |

22. Leases

(1) Group as a lessee

The Group leases various properties, including real estate such as land and buildings, office equipment, transportation equipment,and other equipment. The lease terms range from 3 to 20 years.

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

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Land | $276,151 | $285,673 |
| Buildings | 38,003 | 50,190 |
| Transportation equipment | 2,390 | 3,747 |
| Total | $316,544 | $339,610 |

For the year ended 31 December 2021 and 2020, the additions to right-of-use assets were nil and NT$52,284 thousand, repectively.

(b) Lease liabilities

| | As at | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| Lease liabilities | $323,509 | $344,046 |
| Current | $17,544 | $18,678 |
| Non-current | $305,965 | $325,368 |

Please refer to Note VI.24 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 |
| Land | $9,522 | $9,522 |
| Buildings | 9,245 | 2,003 |
| Transportation equipment | 1,276 | 105 |
| Total | $20,043 | $11,630 |

C. Income and costs relating to leasing activities

| | For the years ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Expenses relating to short-term leases | $12,867 | $5,550 |
| Expenses relating to leases of low-value assets (Exclude expenses relating to short-term leases of low-value assets) | 533 | 579 |

D. Cash outflow relating to leasing activities

During the years ended 31 December 2021 and 2020, the Group’s total cash outflows for leases amounted to NT$35,637 thousand and NT$20,608 thousand, respectively.

(2) Group as a lessor

Please refer to Note VI.10 for disclosures of the Group’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 | $45,310 | $9,844 |

Please refer to Note VI.10 for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, 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:

| | As of | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| Not later than one year | $8,940 | $8,571 |
| Later than one year but not later than two years | 8,879 | 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 | 15,829 | 24,400 |
| Total | $59,361 | $67,255 |

23. Summary statement 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 | | | | | | |
| Wages and salaries | $909,333 | $348,882 | $1,258,215 | $259,584 | $222,227 | $481,811 |
| Labor and health insurance | 50,490 | 34,631 | 85,121 | 26,679 | 10,140 | 36,819 |
| Pension costs | 41,756 | 10,858 | 52,614 | 15,207 | 6,049 | 21,256 |
| Other employee benefits expense | 63,017 | 18,345 | 81,362 | 15,196 | 4,205 | 19,401 |
| Depreciation | 162,359 | 18,752 | 181,111 | 114,311 | 10,315 | 124,626 |
| Amortization | 19,494 | 9,560 | 29,054 | 15,175 | 1,226 | 16,401 |

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 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 amouts 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,would be recognized in profit or loss of the subsequent year in 2021.

24. Non-operating income and expenses

(1) Other revuenue

| | For the years ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Interest income | $223 | $961 |
| Others | 47,679 | 14,434 |
| Total | $47,902 | $15,395 |

(2) Other gains and losses

| | For the years ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| (Losses) on disposal of property, plant and equipment | $(2,238) | $(2) |
| Foreign exchange (losses) | (14,407) | (10,900) |
| Gains on disposal of investments | - | 106 |
| Gains (losses) on financial assets at fair value through profit or loss (Note) | 781 | (1,009) |
| Others | (445) | (156) |
| Total | $(16,309) | $(11,961) |

Note: Balances were arising from financial assets mandatorily measured at fair value through profit or loss.

(3) Financial costs

| | For the years ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Interest expenses from bank borrowings | $47,407 | $16,927 |
| Interest expenses from lease liabilities | 6,209 | 5,046 |
| Total financial costs | $53,616 | $21,973 |

25. 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 the defined benefit plan | $6,170 | $- | $6,170 | $(1,635) | $4,535 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Translation differences of foreign operations | (49,257) | - | (49,257) | 9,851 | (39,406) |
| Total comprehensive income | $(43,087) | $- | $(43,087) | $8,216 | $(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 | $20,027 | $- | $20,027 | $(4,005) | $16,022 |

26. 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 | $53,424 | $22,920 |
| Adjustments in respect of prior periods | 27 | (1,974) |
| The tax deduction due to losses or temporary difference not recognized in previous years but recognized in the current year | 3,901 | - |
| Deferred tax expense (income): | | |
| The origination and reversal of temporary differences | 280,206 | 127,216 |
| Net operating tax loss | 115,604 | (131,189) |
| Reversal of allowance of deferred tax asset | (178,930) | - |
| Total income tax expense | $274,232 | $16,973 |

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

| | For the years ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Deferred tax expense (income): | | |
| Translation differences of foreign operations | $(9,851) | $4,005 |
| Remeasurements of the defined benefit plan | 1,635 | - |
| Income tax relating to other comprehensive income | $(8,216) | $4,005 |

(3) Reconciliation between income before income tax and income tax expense recognized in profit and loss is as follows:

| | For the years ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Net income before income tax | $1,023,968 | $595,399 |
| Income tax expense at the statutory rate | $518,741 | $311,187 |
| Net operating Losses | (3,711) | 5,682 |
| Revenues exempt from income tax | (118,402) | (94,308) |
| Expenses disallowed for tax purposes | 1,298 | 10 |
| Change in deferred income assets/liabilities | (135,225) | (104,166) |
| Tax on undistributed retained earnings | 13,073 | 3,340 |
| Prior year income tax underestimation (overestimation) | 27 | (1,974) |
| Others | (1,569) | (102,798) |
| Total income tax expense recognized in profit or loss | $274,232 | $16,973 |

(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 | Acquired in business combinations | Exchange differences | 31 December 2021 |
|---|---|---|---|---|---|---|
| Temporary differences | | | | | | |
| Unrealized loss on inventories | $1,900 | $1,345 | $- | $- | $- | $3,245 |
| Unrealized sales returns and discounts | 1,587 | 44 | - | - | - | 1,631 |
| Foreign investment income under equity method | - | (207,819) | - | - | - | (207,819) |
| Business combination – negative goodwill | (60,931) | - | - | - | - | (60,931) |
| Impairment loss of property, plant and equipment | 30,754 | 182,877 | - | - | - | 213,631 |
| Exchange differences on translation of foreign operations | (3,962) | - | 9,851 | - | - | 5,889 |
| Fair value adjustments arising in business combinations | (147,089) | (62,692) | - | - | 6,861 | (202,920) |
| Depreciation of property, plant and equipment | (105,634) | (35,736) | - | - | 4,118 | (137,252) |
| Others | 2,867 | 1,503 | (1,635) | - | 497 | 3,232 |
| Unused tax losses | 115,587 | (100,304) | - | - | 17 | 15,300 |
| Deferred tax income/ (expense) | | $(220,782) | $8,216 | $- | $11,493 | |
| Net deferred tax assets/(liabilities) | $(164,921) | | | | | $(365,994) |
| Balance sheet: | | | | | | |
| Deferred tax assets | $37,092 | | | | | $243,775 |
| Deferred tax liabilities | $202,013 | | | | | $609,769 |

For the year ended 31 December 2020

| | 1 January 2020 | Recognized in profit or loss | Recognized in other comprehensive income | Acquired in business combinations | Exchange differences | 31 December 2020 |
|---|---|---|---|---|---|---|
| Temporary differences | | | | | | |
| Unrealized loss on inventories | $1,662 | $238 | $- | $- | $- | $1,900 |
| Unrealized sales returns and discounts | 2,012 | (425) | - | - | - | 1,587 |
| Foreign investment income under equity method | 1,420 | (1,420) | - | - | - | - |
| Business combination – negative goodwill | (60,931) | - | - | - | - | (60,931) |
| Impairment loss of property, plant and equipment | 31,906 | (1,152) | - | - | - | 30,754 |
| Exchange differences on translation of foreign operations | 43 | - | (4,005) | - | - | (3,962) |
| Fair value adjustments arising in business combinations | - | (4,842) | - | (139,841) | (2,406) | (147,089) |
| Depreciation of property, plant and equipment | - | (103,898) | - | - | (1,736) | (105,634) |
| Others | 1,084 | 1,775 | - | - | 8 | 2,867 |
| Unused tax losses | - | 113,696 | - | - | 1,891 | 115,587 |
| Deferred tax income/ (expense) | | $3,972 | $(4,005) | $(139,841) | $(2,243) | |
| Net deferred tax assets/(liabilities) | $(22,804) | | | | | $(164,921) |
| Balance sheet: | | | | | | |
| Deferred tax assets | $38,129 | | | | | $37,092 |
| Deferred tax liabilities | $60,933 | | | | | $202,013 |

(4) Unrecognized deferred tax assets

As of 31 December 2021 and 2020, deferred tax assets have not been recognized amounted to NT$231,877 thousand and NT$262,469 thousand, respectively.

(5) The assessment of income tax returns

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

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2019 |
| Union Chemical & Pharmaceutical Co., Ltd. | Assessed and approved up to 2019 |
| Bora Health Inc. | Assessed and approved up to 2019 |
| Bora Pharmaceutical Laboratories Inc. | Assessed and approved up to 2019 |

27. 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 | $578,426 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 67,893 | 67,005 |
| Basic earnings per share (NT$) | $11.04 | $8.63 |

| | 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 Decemeber 2021 and the approved date, 9 March 2022, of the consolidated financial statements.

28. Business combinations

Acquisition of the Business Conducted at GlaxoSmithKline Inc. Ontario Site

The Group acquired GlaxoSmithKline Inc.'s business assets in Ontario Canada on 1 December 2020, and entered into a five-year Manufacturing and Supply Agreement (the "MSA") with its affiliate to continue manufacturing the existing GSK product line. The purpose for the acquisition of the business of GlaxoSmithKline Inc. is to increase the Group's North American base and accelerate the layout of its international toll manufacturing business.

The Group has paid the purchase price of NT$ 1,382,901 thousand at 31 December 2020. In addition, the Group prepaid an agreed amount for inventories acquired at closing. The overpayment of NT$99,621 between the actual inventory costs settled on the transaction date and the prepayments was recognized in other receivables, while the unpaid portion of purchase price in the amount of NT$119,100 thousand for spare parts was recognized in other payables. By 31 December, 2021, the overpayment of NT$99,621 thousand was received and cleared from other receivables. NT$103,455 thousand of the unpaid portion of purchase price was settled with NT$15,645 thousand remaining in other payables at 31 December 2021.

## VII. Related party transactions

Information of the related parties that had transactions with the Group 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 |
| --- | --- |
| Hoan Pharmaceuticals, Ltd. | Substantive related party |

Significant transactions with the related parties

1. Sales

| | Years Ended December 31 | |
| --- | --- | --- |
| | 2021 | 2020 |
| Hoan Pharmaceuticals, Ltd. | $36,545 | $41,043 |

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 December 31 | |
| --- | --- | --- |
| | 2021 | 2020 |
| Hoan Pharmaceuticals, Ltd. | $61,422 | $49,186 |

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 Receivables - related party

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

4. Accounts receivable-related party

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $15,117 | $18,136 |
| Less: loss allowance | - | - |
| Net | $15,117 | $18,136 |

5. Other receivables-related party

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $35 | $49 |

6. Notes payables-related party

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

7. Accounts payable -related party

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $12,665 | $14,705 |

8. Other payables-related parties

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $1,341 | $1,686 |

9. Sales and marketing expenses

| | Years Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Hoan Pharmaceuticals, Ltd. | $4,720 | $4,497 |

10. 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 Group pledged as security:

| Items | Carrying amount 31 December 2021 | Carrying amount 31 December 2020 | Secured liabilities |
|---|---|---|---|
| Financial assets measured at amortized cost, non current | $33,469 | $34,153 | Deposits for Customs Administration, Science Park Administration and credit card limit. Interest reserved account for syndicated bank loans |
| Property, plant and equipment - land | 1,983,704 | 2,020,639 | Short-term loans and Long-term loans |
| Property, plant and equipment - buildings | 1,128,776 | 1,172,640 | Short-term loans and Long-term loans |
| Investment property | 25,006 | 25,839 | Long-term loans |
| Total | $3,170,955 | $3,253,271 | |

Except for the pledged assets above, the Group also pledged shares of Bora Pharmaceutical Services Inc.

## IX. Significant contingencies and unrecognized contractual commitments

(1) As of 31 December 2021, the major outstanding construction contracts that the Group 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 |

(2) In the fourth quarter of 2020, the Company (the "Guarantor") and the Company's subsidiary, Bora Pharmaceutical Services Inc. (the "Borrower"), executed a syndicated loan agreement with CTBC Bank (the "Agent") and other 13 banks. During the borrowing period and before the repayment of all outstanding loan, the Borrower and the Guarantor shall be compliance with the following financial covenanats on any of the Test Date:

① The Borrower's leverage ratio (total borrowings over EBITDA) shall not be higher than

5. ◦

② The Borrower's interest coverage ratio (EBITDA over interest expense) shall not be less than 5.

③ The Guarantor's current ratio shall not be less than 120%.

④ The Guarantor's debt ratio (total liabilities over tangible net assets) shall not be higher than 180 % by the end of 2021, 150% since 2022, and 120% since 2024.

⑤ The Guarantor's interest coverage ratio (EBITDA over interest expense) shall not be less than 5.

⑥ The Guarantor's tangible net assets shall be maintained at NT$1,600,000 thousand above.

⑦ In the event the borrower violates the restriction defined in the contract, CTBC Bank or at the request of the majority lenders has the right pursuant to covenants to take actions, including the steps below but not limited to:

a. Terminate the Borrower's right to draw from the contract credit line in whole or in part.

b. Cease the unused loans in whole or in part.

c. Declare the loans then outstanding to be due and payable in whole or in part, and thereupon the principal of the loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations under the loan agreement of the Borrower accrued.

d. Request to repay the principal by promissory note.

e. Exercise on behalf of itself and the lenders all rights and remedies available to it and the lenders under the loan agreement and applicable law.

f. Exercise on behalf of itself and other lenders based on majority rule

(3) Contingent items of civil action:

Pu Ying Interior Decoration Design Co., Ltd. filed a civil complaint in Taipei District Court of Taiwan on 13 October 2021 against the Company alleging that the Company shall pay certain outstanding fees according to the construction contract entered between the Company and Pu Ying Interior Decoration Design Co., Ltd. This case is still in the mediation stage, so the outcome of the case is inherently uncertain. In the option of the management, there was not at least a reasonable possibility the Company may have a significant impact on the operation of the Company.

X. <u>Losses due to major disasters</u>

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 buyback 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 | As of | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| Financial assets measured at fair value through profit or loss: | | |
| Mandatorily measured at fair value through profit or loss | $78 | $64 |
| Financial assets measured at amortized cost | | |
| Cash and cash equivalents (exclude cash on hand) | 910,477 | 669,714 |
| Financial assets measured at amortized cost | 33,469 | 34,153 |
| Notes receivables | 26,558 | 23,800 |
| Accounts receivable | 798,216 | 515,830 |
| Other receivables | 33,233 | 186,767 |
| Subtotal | 1,801,953 | 1,430,264 |
| Total | 1,802,031 | 1,430,328 |

| Financial liabilities | As of | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| Financial liabilities measured at amortized cost: | | |
| Short-term loans | $645,475 | $1,217,646 |
| Accounts and other payables | 698,863 | 617,211 |
| Long-term loans (including current portion) | 1,250,185 | 1,319,619 |
| Lease liabilities | 323,509 | 344,046 |
| Total | $2,918,032 | $3,498,522 |

2. Financial risk management objectives and policies

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

The Group 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 Group 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 currency risk and 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.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency).

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the year ended 31 December 2021 and 2020 will be increased/decreased by NT$3,228 thousand and NT$2,553 thousand, respectively.

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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group'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 as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, an increase of 10 basis points of interest rate in a reporting period could cause the profit for the year ended 31 December 2021 and 2020 decrease by NT$952 thousand and NT$1,833 thousand, respectively.

If all other factors remain, while the interest rate declines, the impact on profit and loss performance for the years ended 31 December 2021 and 2020 will be the same amount as above but at the opposite direction.

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 Group 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 Group'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 Group'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 95% and 94% of the total accounts receivable of the Group, respectively. The credit concentration risk of other receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group 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 Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group'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 as of 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 | $888,663 | $534,096 | $203,943 | $353,948 | $1,980,650 |
| Accounts and other payables | 698,863 | - | - | - | 698,863 |
| Lease liabilities (Note) | 23,262 | 45,093 | 36,654 | 294,730 | 399,739 |

| | <= 1 year | 2 to 3 years | 4 to 5 years | > **5** years | Total |
|---|---|---|---|---|---|
| 31 December 2020 | | | | | |
| Borrowings | $1,420,636 | $576,024 | $351,630 | $384,064 | $2,732,354 |
| Accounts and other payables | 617,211 | - | - | - | 617,211 |
| Lease liabilities (Note) | 24,901 | 47,250 | 44,876 | 309,507 | 426,534 |

Notes：Information about the maturities of lease liabilities is provided in the table below:

| | Maturities | | | | | |
|---|---|---|---|---|---|---|
| | Less than 5 year | 5 to 10 years | 11 to 15 years | 16 to 20 years | >21 years | Total |
| 31 December 2021 | $105,009 | $61,402 | $61,402 | $61,402 | $110,524 | $399,739 |
| 31 December 2020 | 117,027 | 63,899 | 61,402 | 61,402 | 122,804 | 426,534 |

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 | $1,217,646 | $1,319,619 | $344,046 | $2,881,311 |
| Cash flows | (572,171) | (54,549) | (17,480) | (644,200) |
| Non-cash changes | - | (14,885) | (3,057) | (17,942) |
| 31 December 2021 | $645,475 | $1,250,185 | $323,509 | $2,219,169 |

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 | $225,000 | $894,149 | $298,764 | $1,417,913 |
| Cash flows | 992,646 | 425,470 | (9,433) | 1,408,683 |
| Non-cash changes | - | - | 54,715 | 54,715 |
| 31 December 2020 | $1,217,646 | $1,319,619 | $344,046 | $2,881,311 |

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 Group to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, other payables, 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 GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

D. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(2) Fair value measurement hierarchy for financial instruments

Please refer to Note XII.9 for fair value measurement hierarchy for financial instruments of the Group.

8. Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2021 and 31 December 2020 is as follows:

<u>Forward currency contracts</u>

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts

| Items (by contract) | Notional Amount | Contract Period |
|---|---|---|
| 31 December 2021 | | |
| Forward currency contract | Sell USD 900 thousand | 14 December 2021 to 18 January 2022 |
| 31 December 2020 | | |
| Forward currency contract | Sell USD 1,000 thousand | 27 October 2020 to 15 January 2021 |
| Forward currency contract | Sell USD 900 thousand | 10 November 2020 to 28 January 2021 |
| Forward currency contract | Sell USD 900 thousand | 14 December 2020 to 18 Feburary 2021 |
| Forward currency contract | Sell USD 1,000 thousand | 14 December 2020 to 25 Feburary 2021 |

Embedded derivatives

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

9. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the consolidated 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 Group’s assets and liabilities

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

31 December 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward foreign exchange contracts | $- | $78 | $- | $78 |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward foreign exchange contracts | - | - | - | - |

31 December 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward foreign exchange contracts | $- | $64 | $- | $64 |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward foreign exchange contracts | - | 768 | - | 768 |

Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2021 and 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 year ended 2021 and 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: | | | | | |
| 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 Group'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: | | | | | |
| 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 Group's equity by NT$91 thousand |

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

The Group'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 Group's accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Group'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 |

10. Significant assets and liabilities denominated in foreign currencies

Unit: thousands

| | 31 December 2021 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $13,232 | 27.68 | $366,262 |
| | | | |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $1,570 | 27.68 | $43,458 |
| EUR | 632 | 31.32 | 19,794 |

| | 31 December 2020 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $9,374 | 28.48 | $266,972 |
| | | | |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $405 | 28.48 | $11,534 |

The Group mainly uses USD as transaction currency. The Group only disclosures monetary financial assets and financial liabilities of USD. For the years ended 31 December 2021 and 2020, the foreign exchange losses on monetary financial assets and financial liabilities amounted to NT$(14,407) thousand and NT$(10,900) thousand, respectively.

11. Capital management

The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 2.
   - (b) Endorsement/Guarantee provided to others for the year ended 31 December 2021: Please refer to Attachment 3.
   - (c) Securities held as of 31 December 2021: Please refer to Attachment 4.
   - (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: Attachment 5.

(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: Attachment 6.

(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 7.

(i) Financial instruments and derivative transactions: Please refer to 6.2.

(j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 1.

2. Information on investees: Please refer to Attachment 8.

3. Investment in Mainland China: None.

4. Information on major shareholders: Please refer to Attachment 9.

XIV. Segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

Sales segment: Selling pharmaceuticals and healthcare products.

Manufacturing segment: CDMO (Contract Development & Manufacturing Organization) of pharmaceuticals.

Other segment: Distributing and developing pharmaceuticals.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm’s length basis in a manner similar to transactions with third parties.

1. Segment information about profit and assets (loss and liabilities).

Year ended 31 December 2021

| | Sales segment | Manufacturing segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $460,743 | $4,376,586 | $62,556 | $- | $4,899,885 |
| Inter-segment (Note) | 40,063 | 11,605 | 84,171 | (135,839) | - |
| Total revenue | $500,806 | $4,388,191 | $146,727 | $(135,839) | $4,899,885 |
| Segment profit | $(557,843) | $1,509,201 | $72,223 | $387 | $1,023,968 |

Year ended 31 December 2020

| | Sales segment | Manufacturing segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $447,432 | $1,311,945 | $40,193 | $- | $1,799,570 |
| Inter-segment (Note) | 52,888 | 120 | - | (53,008) | - |
| Total revenue | $500,320 | $1,312,065 | $40,193 | $(53,008) | $1,799,570 |
| Segment profit | $329,396 | $1,122,479 | $(60,764) | $(795,712) | $595,399 |

Note: Inter-segment revenue are eliminated under consolidation and recorded under the "adjustment and elimination" column.

2. Product information:

| Product | For the years ended 31 December 2021 | 2020 |
|---|---|---|
| Pharmaceuticals | $296,770 | $293,287 |
| Healthcare products | 235,617 | 213,758 |
| CDMO | 4,418,252 | 1,345,533 |
| Others | 85,085 | - |
| Adjustment and elimination | (135,839) | (53,008) |
| Total | $4,899,885 | $1,799,570 |

3. Geographic information:

Revenue from external clients:

| Country | For the years ended 31 December 2021 | For the years ended 31 December 2020 |
|---|---|---|
| Europe | $3,393,270 | 214,752 |
| U.S.A | 861,593 | 968,948 |
| Taiwan | 645,022 | 615,870 |
| Total | $4,899,885 | $1,799,570 |

Non-current assets:

| Country | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Canada | $2,262,008 | $2,266,014 |
| Taiwan | 2,040,745 | 2,040,378 |
| Total | $4,302,753 | $4,306,392 |

4. Important client information:

| | For the years ended 31 December 2021 | For the years ended 31 December 2020 |
|---|---|---|
| Client A | $3,371,050 | $214,752 |
| Client B | 732,681 | 918,915 |
| Total | $4,103,731 | $1,133,667 |

Attachment 1

The business relationship, significant transactions and amounts between parent company and subsidiaries

For the year ended 31 December 2021

| No. (Note 1) | Company Name | Counter-party | Relationship with the Company (Note 2) | Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Terms | Percentage of consolidated operating revenues or consolidated total assets (Note 3) |
| 0 | The Company | Union Chemical & Pharmaceutical Co., Ltd. | 1 | Other income | 4,802 | Monthly payment | 0.10% |
| 0 | The Company | Union Chemical & Pharmaceutical Co., Ltd. | 1 | Other receivables | 871 | Not applicable | 0.01% |
| 0 | The Company | Union Chemical & Pharmaceutical Co., Ltd. | 1 | Sales | 9,077 | 60 days from the date of sale | 0.19% |
| 0 | The Company | Union Chemical & Pharmaceutical Co., Ltd. | 1 | Accounts receivables | 9,490 | 60 days from the date of sale | 0.13% |
| 0 | The Company | Bora Health Inc. | 1 | Other income | 2,400 | Monthly payment | 0.05% |
| 0 | The Company | Bora Health Inc. | 1 | Other receivables | 210 | Monthly payment | 0.00% |
| 0 | The Company | Bora Health Inc. | 1 | Sales | 11,521 | 60 days from the date of sale | 0.24% |
| 0 | The Company | Bora Health Inc. | 1 | Accounts receivables | 12,097 | 60 days from the date of sale | 0.16% |
| 0 | The Company | Bora Pharmaceutical Laboratories Inc. | 1 | Other receivables | 389,503 | Not applicable | 5.28% |
| 0 | The Company | Bora Pharmaceutical Laboratories Inc. | 1 | Accounts receivables | 12,998 | 60 days from the date of sale | 0.18% |
| 0 | The Company | Bora Pharmaceutical Laboratories Inc. | 1 | Sales | 12,895 | 60 days from the date of sale | 0.26% |
| 0 | The Company | Bora Pharmaceutical Laboratories Inc. | 1 | Interest income | 1,646 | Not applicable | 0.03% |
| 0 | The Company | Bora Pharmaceutical Laboratories Inc. | 1 | Other income | 7,200 | Monthly payment | 0.15% |
| 0 | The Company | Bora Pharmaceutical Services Inc. | 1 | Other receivables | 3,085 | Not applicable | 0.04% |
| 0 | The Company | Bora Pharmaceutical Services Inc. | 1 | Interest income | 7,731 | Not applicable | 0.02% |
| 0 | The Company | Bora Pharmaceutical Services Inc. | 1 | Sales | 49,770 | 60 days from the date of sale | 1.02% |
| 1 | Union Chemical & Pharmaceutical Co., Ltd. | The Company | 2 | Sales | 39,332 | 60 days from the date of sale | 0.81% |
| 1 | Union Chemical & Pharmaceutical Co., Ltd. | The Company | 2 | Accounts receivables | 14,574 | 60 days from the date of sale | 0.20% |
| 2 | Union Chemical & Pharmaceutical Co., Ltd. | Bora Health Inc. | 2 | Accounts receivables | 20,199 | Not applicable | 0.27% |
| 2 | Bora Pharmaceutical Laboratories Inc. | The Company | 2 | Accounts receivables | 12,000 | Monthly payment | 0.16% |
| 2 | Bora Pharmaceutical Laboratories Inc. | The Company | 2 | Other income | 1,560 | Monthly payment | 0.03% |
| 3 | Bora Pharmaceuticals USA Inc | Bora Pharmaceutical Services Inc. | 3 | Other income | 53,185 | 30 days from the date of sale | 1.09% |

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: Transactions are categorized as follows:

(1) The holding company to subsidiary.

(2) Subsidiary to holding company.

(3) Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated total asset/operating revenues: For transactions of balance sheet items are based on each item's balance at period-end. For profit or loss items, period-end cumulative balances are used as basis.

Note 4: All transactions listed above are eliminated in the consolidated financial statements.

Attachment 2

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 Inc. | 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 3

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 | Releationship (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. | 3 | $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 4

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 5

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 3) | 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 loan. Please refer to Attachment 2 for more details.

Note 2: All transactions listed above are eliminated in the consolidated financial statements.

Attachment 6

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) | (Note 2) |
| 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 | (Note 2) |
| 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 | (Note 2) |
| 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 | (Note 2) |
| 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 | (Note 2) |
| The Company | Bora Management Consulting Co., Ltd. | Taipei City, Taiwan | Management & Consulting | $1,000 | $- | 100,000 | 100% | $1,954 | $954 | $954 | (Note 2) |
| The Company | Bora Pharmaceutical and Consumer Health Inc. | Taipei City, Taiwan | Cosmetics wholesale ; Management & Consulting | $100 | $- | 10,000 | 100% | $100 | $- | $- | (Note 2) |
| 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 | $332,503 | (Note 2) |

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

Note 2: All transactions listed above are eliminated in the consolidated financial statements.

Attachment 7
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.