

BORA PHARMACEUTICAL Co., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

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

Independent Auditors' Report

To BORA PHARMACEUTICALS CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of BORA PHARMACEUTICALS CO., LTD. (the "Company") as of 31 December 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021 and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2022 and 2021, and parent company only financial performance and cash flows for the years ended 31 December 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

For the year ended 31 December 2022, the Company recognized NT\$470,677 thousand as revenues, mainly coming from toll manufacturing, rendering services, prescription and generic drug distribution and sales of consumer healthcare products. As timing of revenue recognition varies among contract terms with customers, which involved management's significant judgment, we have determined this as a key audit matter.

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

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

Business Combination

The Group acquired Eden Biologics, Inc.'s business assets and CDMO business in July, 2022 and acquired 100% of the voting shares of TWi Pharmaceuticals, Inc. in September 2022 with total acquisition consideration of NT\$7,765,870 thousand and total identifiable net assets at fair value of NT\$6,782,284 thousand as well as total goodwill of NT\$983,586 thousand. As the amount of business combinations is significant, which involved identification of transaction and fair value measurement, we have determined this as a key audit matter.

Our audit procedures included, but were not limited to, the following: acquiring agreements and purchase price allocation reports in relation to business combination as audit evidences, evaluating the acquisition consideration of business combination recognized and measured by management and the appropriateness of identifiable net assets at fair value of business combination. To evaluate the appropriateness of identifiable net assets at fair value, our internal valuation specialists assisted us in evaluating parameters and assumptions adopted in the purchase price allocation reports and the reasonableness of key assumptions and verifying whether identifiable net assets at fair value is in a reasonable range. We also evaluated the disclosures of business combination. Please refer to Notes IV and VI to the consolidated financial statements.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for

our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of parent company only financial statements for year ended 31 December, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hong, Kuo Sen

Lin, Li Huang

Ernst & Young, Taiwan

16 March 2023

Notice to Readers

The accompanying parent company only 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 Financial Statements Originally Issued in Chinese
BORA PHARMACEUTICAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
As of 31 December, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

ASSETS	Notes	31 December 2022	31 December 2021
Current assets			
Cash and cash equivalents	IV&VI.1	\$152,369	\$183,295
Financial assets at fair value through profit or loss,current	IV&VI.2	-	-
Notes receivable,net	IV&VI.4.21	658	24,316
Notes receivable-related parties,net	IV&VI.4.21&VII	5	2,233
Accounts receivable,net	IV&VI.5.21	42,270	66,527
Accounts receivable-related parties,net	IV&VI.5.21&VII	66,513	99,472
Other receivables		203	2,289
Other receivables-related parties	VII	51,015	393,704
Current tax assets	IV	36,927	6,906
Inventories,net	IV&VI.6	20,165	47,937
Prepayments	VI.7	9,526	11,025
Other current assets	VI.8	39,485	27,852
Total current assets		419,136	865,556
Non-current assets			
Financial assets measured at fair value through profit or loss, current	IV&VI.15	2,336	-
Financial assets measured at amortized cost, non-current	IV&VI.3&VIII	38,522	-
Investments accounted for using equity method	IV&VI.9	11,165,669	2,193,340
Property, plant and equipment	IV&VI.10&VIII	1,113,309	1,112,663
Right-of-use assets	IV&VI.22&VIII	6,900	-
Investment property,net	IV&VI.11	24,172	25,006
Intangible assets	IV	1,757	2,779
Deferred tax assets	IV&VI.26	37,054	20,037
Prepayment for equipments		3,653	3,472
Refundable deposits		3,399	775
Total non-current assets		12,396,771	3,358,072
Total assets		\$12,815,907	\$4,223,628

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

English Translation of Financial Statements Originally Issued in Chinese
BORA PHARMACEUTICAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
As of 31 December 2022 and 2021

Unit: Thousands of New Taiwan Dollars

LIABILITIES AND EQUITY	Notes	31 December 2022	31 December 2021
Current liabilities			
Short-term loans	IV&VI.12	\$1,349,614	\$95,000
Financial liabilities measured at fair value through profit or loss, current	IV&VI.13	694,943	-
Notes payable-related party	IV&VII	-	7,596
Accounts payable		33,229	14,820
Accounts payable-related parties	IV&VII	356	39,385
Other payables	IV&VI.14	584,717	91,383
Other payables-related parties	IV&VI.14&VII	3,303	7,999
Income tax liability	IV&VI.26	15,631	13,073
Lease liability,current	IV&VI.22	2,649	-
Current portion of long-term liabilities	IV&VI.16	416,311	38,304
Other current liabilities		1,817	1,455
Total current liabilities		<u>3,102,570</u>	<u>309,015</u>
Non-current liabilities			
Financial liabilities measured at fair value through profit or loss, non-current	IV&VI.13	928,206	-
Bonds payable	IV&VI.15	642,363	-
Long-term loans	IV&VI.16	2,935,332	595,696
Deferred tax liabilities	IV&VI.26	265,827	164,840
Lease liability,noncurrent	IV&VI.22	4,271	-
Other noncurrent liabilities-others		409,016	1,536
Total non-current liabilities		<u>5,185,015</u>	<u>762,072</u>
Total liabilities		<u>8,287,585</u>	<u>1,071,087</u>
Equity attributable to the parent company			
Capital	VI.18		
Common stock		753,815	684,123
Advance receipts for capital stock		3,107	660
Capital surplus	VI.18.19	1,236,380	1,025,985
Retained earnings	VI.18		
Legal reserve		216,436	141,462
Special reserve		23,919	4,900
Unappropriated earnings		2,308,664	1,319,331
Subtotal		<u>2,549,019</u>	<u>1,465,693</u>
Other equity	VI.18	39,093	(23,920)
Treasury stock	VI.18	(53,092)	-
Total equity		<u>4,528,322</u>	<u>3,152,541</u>
Total liabilities and equity		<u>\$12,815,907</u>	<u>\$4,223,628</u>

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD.

PARENT COMPANY ONLY STATEMENT OF COMPREHENSIVE INCOME

From January 1 to December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

	Notes	2022	2021
Operating revenue	IV&VI.20&VII	\$470,677	\$456,449
Operating costs	IV&VI.6.23&VII	(374,869)	(360,267)
Gross profit		95,808	96,182
Unrealized gross profit on sales		(12,805)	(1,877)
Realized gross profit on sales		8,445	476
Gross profit, net		91,448	94,781
Operating expenses			
Sales and marketing expenses	IV&VI.19.21.22.23 &VII	(12,523)	(27,436)
General and administrative expenses		(199,511)	(144,540)
Research and development expenses		(18,010)	(21,845)
Total operating expenses		(230,044)	(193,821)
Operating loss		(138,596)	(99,040)
Non-operating income and expenses			
Other revenue	VI.24&VII	60,278	32,930
Other gain or (losses)	VI.24&VII	(58,871)	(9,339)
Financial costs	VI.24&VII	(55,930)	(10,995)
Share of profit of associates and joint ventures accounted for using the equity method	VI.9	1,653,363	938,256
Total non-operating income and expenses		1,598,840	950,852
Net income before income tax		1,460,244	851,812
Income tax expense	VI.26	(68,328)	(102,076)
Net income		1,391,916	749,736
Other comprehensive income			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurements of defined plans for subsidiaries, affiliates and joint ventures	VI.25	3,984	4,535
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of foreign operations	VI.25	35,084	(24,837)
Share of profit (loss) of associates and joint ventures accounted for using equity method	VI.25	30,977	(19,536)
Income tax related to items to be reclassified subsequently to profit or loss	VI.25	(7,017)	4,967
Total other comprehensive income, net of tax		63,028	(34,871)
Total comprehensive income		\$1,454,944	\$714,865
Earnings per share (NTD)	IV&VI.27		
Earnings per share-basic		\$18.52	\$11.04
Earnings per share-diluted		\$18.30	\$11.01

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

English Translation of Financial Statements Originally Issued in Chinese
BORA PHARMACEUTICAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
From January 1 to December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

Items	Share capital			Retained earnings			Other equity			Treasury stock	Total
	Common stock	Advance receipts for capital stock	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 net defined benefit plan		
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 earning	-	-	-	-	-	-	-	-	-	-	-
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	\$0	\$3,152,541
Balance as of 1 January 2022	\$684,123	\$660	\$1,025,985	\$141,462	\$4,900	\$1,319,331	\$(23,555)	\$(4,900)	\$4,535	\$0	\$3,152,541
Appropriation and distribution of 2020 retained earning	-	-	-	-	-	-	-	-	-	-	-
Legal Reserve	-	-	-	74,974	-	(74,974)	-	-	-	-	-
Special Reserve	-	-	-	-	19,019	(19,019)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(238,802)	-	-	-	-	(238,802)
Stock dividends	68,522	-	-	-	-	(68,522)	-	-	-	-	-
Due to recognition of equity component of convertible bonds issued	-	-	94,679	-	-	-	-	-	-	-	94,679
Changes in subsidiaries, affiliates and joint ventures recognized using the equity method	-	-	11,864	-	-	-	-	-	-	-	11,864
Net income for the year ended 31 December 2022	-	-	-	-	-	1,391,916	-	-	-	-	1,391,916
Other comprehensive income for the year ended 31 December 2022	-	-	-	-	-	15	59,044	-	3,969	-	63,028
Total comprehensive income	-	-	-	-	-	1,391,931	59,044	-	3,969	-	1,454,944
Due to conversion of convertible bonds	-	3,067	80,403	-	-	-	-	-	-	-	83,470
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(53,092)	(53,092)
Share-based payment transactions-exercise of stock option	510	40	3,346	-	-	-	-	-	-	-	3,896
Share-based payment transactions-stock based compensation	-	-	17,926	-	-	-	-	-	-	-	17,926
Share-based payment transactions-conversion of stock option	660	(660)	-	-	-	-	-	-	-	-	-
Due to difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal	-	-	2,177	-	-	-	-	-	-	-	2,177
Due to share of changes in equities of subsidiaries	-	-	-	-	-	(1,281)	-	-	-	-	(1,281)
Balance as of 31 December 2022	\$753,815	\$3,107	\$1,236,380	\$216,436	\$23,919	\$2,308,664	\$35,489	\$(4,900)	\$8,504	\$(53,092)	\$4,528,322

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

Items	2022	2021	Items	2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$1,460,244	\$851,812	Proceeds from disposal of financial assets at fair value through profit or loss	(38,522)	-
Adjustments for:			Acquisition of investments accounted for using equity method	(5,412,382)	(1,100)
Income and expense adjustments:			Disposal of subsidiaries	24	-
Depreciation	23,780	21,408	Capital reduction of investments accounted for using equity method	618,254	(1,100)
Amortization	1,500	1,464	Acquisition of property, plant and equipment	(22,685)	(96,478)
Net (gain) on financial assets or liabilities measured at fair value through profit or loss	47,724	-	Disposal of property, plant and equipment	8	82
Interest expense	55,930	10,995	Increase in refundable deposits	(3,106)	-
Interest revenue	(731)	(9,413)	Decrease in refundable deposits	-	1,598
Share-based payment expenses	17,926	12,465	Increase in other receivables-related parties	(36,714)	(9,029)
Share of profit of associates and joint ventures accounted for using the equity method	(1,653,363)	(938,256)	Decrease in other receivables-related parties	372,358	576,349
Loss on disposal of property, plant and equipment	198	1,991	Acquisition of intangible assets	(478)	(1,442)
(Gain) on disposal of other assets	-	(14)	Increase in prepayment for equipments	(181)	-
Unrealized losses from inter-affiliate accounts	12,805	1,877	Decrease in prepayment for equipments	-	41,684
Realized (gain) from inter-affiliate accounts	(8,445)	(476)	Dividends received	24,804	14,802
Other	1,810	-	Net cash (used in) provided by investing activities	(4,474,644)	525,366
Total income and expense adjustments:	(1,500,866)	(897,959)			
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Notes receivable, net	23,658	(1,173)	Increase in short-term loans	1,254,614	-
Notes receivable-related parties, net	(10,869)	(2,233)	Decrease in short-term loans	-	(425,000)
Trade receivables, net	24,257	2,364	Issuance of convertible bonds	844,998	-
Trade receivables-related parties, net	(2,191)	(81,336)	Proceeds from long-term loans	4,172,400	100,000
Other receivables	(280)	(225)	Repayment of long-term loans	(1,456,567)	-
Other receivables-related parties	7,045	(6,530)	Repayment of the principal of lease liabilities	(1,093)	-
Inventories, net	11,736	(1,139)	Decrease (increase) in other current liabilities	572	(225)
Prepayments	1,437	9,390	Cash dividends	(238,802)	(109,766)
Other current assets	(11,633)	11,921	Employee stock options exercised	3,896	66,908
Contract liabilities	(381)	4	Treasury stock sold to employees	(53,092)	-
Notes payable	-	(256)	Interest paid	(50,463)	(11,241)
Notes payable-related party	(5,141)	7,596	Net cash provided by (used in) financing activities	4,476,463	(379,324)
Accounts payable	18,409	7,715			
Accounts payable-related parties	(25,262)	12,535	Net (decrease) increase in cash and cash equivalents	(30,926)	83,382
Other payables	34,707	11,903	Cash and cash equivalents at beginning of period	183,295	183,295
Other payables-related parties	(16,652)	3,999	Cash and cash equivalents at end of period	\$152,369	\$266,677
Other current liabilities	814	(1,351)			
Cash generated from operations	9,032	(72,963)			
Interest received	731	9,413			
Income tax paid	(42,508)	890			
Net cash (used in) operating activities	(32,745)	(62,660)			

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended 31 December 2022 and 2021

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

I. History and Organization

- (1) BORA PHARMACEUTICAL 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 of 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. The Authorization of Parent Company Only Financial Statements

The parent company only financial statements of the Company (“the Company”) for the years ended 31 December 2022 and 2021 were authorized for issue by the Board of Directors on 16 March 2023.

III. Application of New and Revised International Financial Reporting Standards

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. The adoption of these new standards and amendments had no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

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

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

The amendments was to clarify definition of accounting estimates and amend to IAS 8 “*Accounting Policies, Changes in Accounting Estimates and Errors*” to help companies distinguish between changes in accounting estimates and changes in accounting policies.

(c) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The above standards and interpretations have no significant impact on the Company’s financial condition and financial performance based on the Group assessment.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as of 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 “ <i>Consolidated Financial Statements</i> ” and IAS 28 “ <i>Investments in Associates and Joint Ventures</i> ” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “ <i>Insurance Contracts</i> ”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

(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) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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

IV. Summary of significant accounting policies

1. Statement of compliance

The parent company only financial statements of the Company for the years ended 31 December 2022 and 2021 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of preparation

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

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

3. Foreign currency transactions

The Company's parent company only financial statements are presented in NT\$, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

4. Translation of financial statements in foreign currency

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

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or partial disposal of an interest in an associate that includes a foreign operation is financial asset that includes a foreign operation.

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

5. Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current

6. Cash and cash equivalents

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

7. Financial instruments

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

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

(1) Financial instruments: recognition and measurement

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

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

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

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivables, accounts receivables and other receivables etc., on balance sheet as of the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

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

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

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(3) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(4) Financial liabilities and equity

Classification between liabilities or equity

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

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.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments*.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

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 at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as of 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; or
- 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 of 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 Company 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 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 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.

8. Derivative instrument

The Company 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 through profit or loss.

9. Fair value measurement

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

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

10. Inventories, net

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.

11. Investments accounted for using the equity method

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

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

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

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

The financial statements of the associate are prepared for the same reporting period as the

Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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

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

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 Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “*Property, plant and equipment*”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Buildings	3~50 years
Machinery and equipment	2~15 years
Testing equipment	3~10 years
Transportation equipment	5~6 years
Office equipment	3~10 years
Leasehold improvements	5~10 years
Miscellaneous equipment	2~16 years

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

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

13. Investment property, net

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment 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
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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 Company transfers properties to or from investment properties according to the actual use of the properties.

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

14. Leases

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

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease

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

Company as a lessee

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

At the commencement date, the Company 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 Company 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 of the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

- (a) the amount of the initial measurement of the lease 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 Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase

option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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

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

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

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment and the practical expedient has been applied to such rent concessions.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance 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 Company allocates the consideration in the contract applying IFRS 15.

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

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 of 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 Company can demonstrate:

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale
- (b) Its intention to complete and its ability to use or sell the asset
- (c) How the asset will generate future economic benefits
- (d) The availability of resources to complete the asset
- (e) The ability to measure reliably the expenditure during development

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

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

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

16. Impairment of non-financial assets

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

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

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

17. Provisions

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

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

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

19. Revenue recognition

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

Sale of goods

Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is prescription drugs, generic drugs, and consumer healthcare products. Revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, the Company makes estimates of the net sales price, including estimates of variable consideration to be incurred on the respective product sales which includes volume discounts and sales discount (known as "Gross to Net" adjustments). Estimating gross to net adjustments and applying the constraint on variable consideration requires the use of significant management judgment, historical trends and other market data. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. Pursuant to terms of the contract, calculations related to Gross to Net adjustments are estimated based on historical or contract stated information and was recorded as refund liabilities.

The terms of accounts receivable are generally 30 ~180 days. 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.

Contract liabilities usually are recognized as revenue within one year, thus, no significant financing component arose.

CDMO – Contract Development and Manufacturing Revenue

The Group provides pharmaceutical drugs manufacturing services, in which the production is based on the terms of the agreements. Sales are recognized at contractual price when control of the goods are transferred to the customers (which is when the customers obtain the ability to prevent others from directing the use of and obtaining the benefits from the goods) and the goods are physically received by the customers in accordance with contract term.

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. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

22. Shared-based payment transactions

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

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

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

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

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

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

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

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:

- (a) 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
- (b) 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:

- (a) 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
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purpose and

is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

V. Critical accounting judgements, estimates and assumptions

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

(1) Judgement

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

(a) Revenue recognition

For certain toll manufacturing contract or dealer contracts with customers, the Group determines if it is acting as a principal or an agent in a contract by considering the indicators of whether it primarily responsible for fulfilling the promise to provide the goods or service, it bears inventory risk before or after transfer of control to the customers, it has the discretion to establish prices. The assessment of principal/agent arrangement would affect the Group's recognition of revenue.

(b) Operating lease commitment – group as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company 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) Revenue recognition – sales returns and discounts.

The Company 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 6 for more details.

(b) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries 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.

(c) Share-based payment transactions

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

(d) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on 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 less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for

extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note VI.

(e) Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at the acquisition-date fair value as part of the business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

VI. Details of significant accounts

1. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	\$246	\$216
Checking accounts and demand deposits	152,123	183,079
Total	<u>\$152,369</u>	<u>\$183,295</u>

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

	31 December 2022	31 December 2021
Mandatorily measured at fair value through profit or loss:		
Embedded derivative – Right of redemption of convertible bonds	2,336	-
Current	<u>\$-</u>	<u>\$-</u>
Non-current	<u>\$2,336</u>	<u>\$-</u>

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

	31 December 2022	31 December 2021
Restricted deposits	\$38,522	\$-
Current	<u>\$-</u>	<u>\$-</u>
Non-current	<u>\$38,522</u>	<u>\$-</u>

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note VI.21 for more details on loss allowance, Note VIII for more details on financial assets measured at amortized cost under pledge and Note XII for more details on credit risk management.

4. Notes receivable, net and notes receivable – related parties, net

	31 December 2022	31 December 2021
Notes receivable, gross	\$658	\$24,316
Less: loss allowance	-	-
Subtotal	658	24,316
Notes receivable - related parties, gross	5	2,233
Less: loss allowance	-	-
Subtotal	5	2,233
Total	\$663	\$26,549

Notes receivable were not overdue and not pledged.

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

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

	31 December 2022	31 December 2021
Accounts receivable, gross	\$42,270	\$66,547
Less: loss allowance	-	(20)
Subtotal	42,270	66,527
Accounts receivable-related parties, gross	66,513	99,472
Less: loss allowance	-	-
Subtotal	66,513	99,472
Total	\$108,783	\$165,999

(1) Accounts receivables were not pledged.

(2) The terms of accounts receivable are generally on 30 to 120-days. The total carrying amount as of 31 December 2022 and 31 December 2021 are NT\$108,783 thousand and NT\$166,019 thousand, respectively. Please refer to Note VI.21 for more details on loss allowance of accounts receivable at 31 December 2022 and 2021. Please refer to Note XII for more details on credit risk management.

6. Inventories, net

(1) Details on net inventories are as follows:

	31 December 2022	31 December 2021
Raw materials	\$10,559	\$2,007
Supplies and spares parts	1,041	1,470
Work in progress	6,192	8,170
Semi-finished goods	875	1,448
Finished goods	1,498	8,373
Merchandise	-	26,469
Total	\$20,165	\$47,937

(2) Details on operating costs recognized as expense are as follows:

	For the year ended 31 December	
	2022	2021
Cost of goods sold	\$375,231	\$357,163
Inventories (overage)	(142)	(171)
Write-down of inventories (gains) loss	(220)	3,275
Total	\$374,869	\$360,267

(3) The cost of inventories recognized in expenses amounted to NT\$374,869 thousand and NT\$360,297 thousand for the years ended 31 December 2022 and 2021, respectively, including gains from the reversal of write-down of obsolete inventories in the amount of NT\$(220) thousand and NT\$3,275 thousand from the write-down of inventories loss to the net realizable value for the years ended 31 December 2022 and 2021, respectively.

(4) No inventories were pledged.

7. Prepayments

	31 December 2022	31 December 2021
Advances to vendors	\$344	\$1,576
Prepaid insurance	1,512	1,245
Others	7,670	8,204
Total	\$9,526	\$11,025

8. Other current assets

	31 December 2022	31 December 2021
Temporary receipts	\$58	\$49
Payment on behalf of others (Note)	39,427	27,803
Total	\$39,485	\$27,852

Note: Payment on behalf of others is from the Company's purchases of materials on behalf of the Company's CDMO clients.

9. Investments accounted for using the equity method

Investees	31 December 2022		31 December 2021	
	Carrying amount	Ownership (%)	Carrying amount	Ownership (%)
Investments in associates:				
Union Chemical & Pharmaceutical Co., Ltd.	\$45,689	100%	\$63,785	100%
Bora Health Inc.	218,754	90.44%	82,124	100%
Bora Pharmaceutical Laboratories Inc.	2,221,250	100%	1,297,193	100%
Bora Pharmaceuticals USA Inc.	62,047	100%	22,624	100%
Bora Pharmaceutical Services Inc.	1,132,798	50%	725,560	50%
Bora Management Consulting Co., Ltd.	1,931	100%	1,954	100%
Bora Biologics Co., Ltd.	1,124,489	65.70%	100	100%
Bora Pharmaceutical and Consumer Health Inc.	31	100%	-	-%
TWi Pharmaceuticals, Inc.	6,358,680	100%	-	-%
Total	<u>\$11,165,669</u>		<u>\$2,193,340</u>	

- (1) The Company resolved by special shareholders' meeting to acquire 100% ownership of Bora Pharmaceutical Laboratories Inc. with cash on 5 February 2018 and to obtain control on 6 February 2018. The Company acquired Bora Pharmaceutical Laboratories Inc.'s right as a creditor in the amount of NT\$1,361,386 (including principal and interest) on the acquisition date. The right was presented as other receivables -related parties on the balance sheet in the amount of NT\$739,760 thousand less the Company's collection of NT\$621,626 thousand after the acquisition date. The bargain purchase gain amounted to NT\$304,653 thousand. The purpose of the acquisition is to expand the range of products. In addition, Bora Pharmaceutical Laboratories Inc. is the only company in Taiwan whose entire products are sold to U.S.A. As of 31 December, 2022, the outstanding other receivables-related parties acquired through acquisition were fully paid.
- (2) Yuta Health Co., Ltd. had changed and registered as Bora Health Inc. in June 2021. The Company sold part of shares of Bora Health Inc. in September 2022.
- (3) The Company registered and established Bora Management Consulting Co., Ltd. in April 2021.
- (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 renamed as Bora Biologics Co., Ltd. in March 2022.
- (5) Bora Biologics Co., Ltd. issued 60,000 thousand new shares in June 2022. As the Company subscribed partial of the shares which caused the ownership decreased from 100% to 65.7%. Bora Biologics Co., Ltd. completed the registration of capital injection in July 2022.
- (6) In order to integrate and specialize the Company's CDMO and dealer and distribution business. On 11 April, 2022, the Company resolved by Board of Directors meeting to spin off its pharmaceuticals department the wholly owned subsidiary, Bora Health Inc. with the spin off date at 31 May, 2022 and issued new shares of Bora Health Inc. as considerations.

- (7) The Company registered and established a wholly-owned subsidiary, Bora Pharmaceutical and Consumer Health Inc in June, 2022.
- (8) As resolved by the shareholders on 31 August 2022, the Company acquired 100% equity interest in TWi Pharmaceuticals, Inc. and its subsidiaries, Synpac-Kingdom Pharmaceutical Co., Ltd and TWI Pharmaceuticals USA, Inc. The acquirees have been included in the consolidated financial statements since 1 September 2022.
- (9) Share of profit of associates and joint ventures accounted for using the equity methods amounted to NT\$1,653,363 thousand and NT\$938,256 thousand for the years ended 31 December 2022 and 2021, respectively.
- (10) The investment in subsidiaries is presented as “investments accounted for using equity method” with necessary adjustments.
- (11) The Company resolved by Board of Directors meeting to acquire spin off its pharmaceutical department to the 100% ownership subsidiary, Bora Health Inc. The fair values of the identifiable assets and liabilities at the spin-off date were as follow:

Assets:	
Accounts receivable	\$48,247
Inventories	16,036
Other receivables	14,322
Other current assets	544
Subtotal	79,149
Liabilities	
Accounts payable	16,222
Other payables	3,665
Other non-current liabilities	72
Subtotal	19,959
Identifiable net assets	\$59,190

10. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Cost:									
1 January 2022	\$889,813	\$195,247	\$95,603	\$15,349	\$570	\$8,258	\$-	\$37,501	\$1,242,341
Additions	-	13,695	1,877	950	630	4,161	-	1,372	22,685
Disposals	-	(85)	(183)	-	-	-	-	(358)	(626)
Reclassification	-	1,972	-	-	-	-	-	(1,972)	-
31 December 2022	<u>\$889,813</u>	<u>\$210,829</u>	<u>\$97,297</u>	<u>\$16,299</u>	<u>\$1,200</u>	<u>\$12,419</u>	<u>\$-</u>	<u>\$36,543</u>	<u>\$1,264,400</u>
1 January 2021	\$889,813	\$115,241	\$94,036	\$16,758	\$570	\$3,149	\$7,336	\$30,883	\$1,157,786
Additions	-	80,530	3,680	371	-	5,228	-	6,669	96,478
Disposals	-	(524)	(2,113)	(1,780)	-	(119)	(7,336)	(51)	(11,923)
31 December 2021	<u>\$889,813</u>	<u>\$195,247</u>	<u>\$95,603</u>	<u>\$15,349</u>	<u>\$570</u>	<u>\$8,258</u>	<u>\$-</u>	<u>\$37,501</u>	<u>\$1,242,341</u>
Depreciation and impairment:									
1 January 2022	\$-	\$46,717	\$51,738	\$9,961	\$479	\$3,229	\$-	\$17,554	\$129,678
Depreciation	-	10,356	5,931	1,389	35	1,495	-	2,627	21,833
Disposals	-	(58)	(99)	-	-	-	-	(263)	(420)
31 December 2022	<u>\$-</u>	<u>\$57,015</u>	<u>\$57,570</u>	<u>\$11,350</u>	<u>\$514</u>	<u>\$4,724</u>	<u>\$-</u>	<u>\$19,918</u>	<u>\$151,091</u>
1 January 2021	\$-	\$38,373	\$46,620	\$9,744	\$477	\$2,547	\$6,239	\$14,953	\$118,953
Depreciation	-	8,778	6,606	1,356	2	781	413	2,639	20,575
Disposals	-	(434)	(1,488)	(1,139)	-	(99)	(6,652)	(38)	(9,850)
31 December 2021	<u>\$-</u>	<u>\$46,717</u>	<u>\$51,738</u>	<u>\$9,961</u>	<u>\$479</u>	<u>\$3,229</u>	<u>\$-</u>	<u>\$17,554</u>	<u>\$129,678</u>
Net carrying amount as of:									
31 December 2022	<u>\$889,813</u>	<u>\$153,814</u>	<u>\$39,727</u>	<u>\$4,949</u>	<u>\$686</u>	<u>\$7,695</u>	<u>\$-</u>	<u>\$16,625</u>	<u>\$1,113,309</u>
31 December 2021	<u>\$889,813</u>	<u>\$148,530</u>	<u>\$43,865</u>	<u>\$5,388</u>	<u>\$91</u>	<u>\$5,029</u>	<u>\$-</u>	<u>\$19,947</u>	<u>\$1,112,663</u>

- (1) Buildings primarily include 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 for the year ended 31 December 2022 and 2021.
- (3) Please refer to Note VIII for more details on pledges of property, plants, and equipment
- (4) Please refer to Note VI. 11 for the investment properties disclosure for the building acquired by the Company in 2019 for business operation and a portion of that is held to earn rentals and another portion that is owner-occupied. Leasing portion were recognized as investment properties.

11. Investment property, net

The Company owned investment properties. The Company has entered into commercial property leases on its owned investment properties with terms of between two to ten years. These leases include a clause for annual rate adjustment to reflect the change in market conditions.

	<u>Buildings</u>	
Cost:		
1 January 2022		\$26,673
Additions		-
31 December 2022		<u>\$26,673</u>
1 January 2021		<u>\$26,673</u>
Additions		-
31 December 2021		<u>\$26,673</u>
Depreciation and impairment:		
1 January 2022		\$1,667
Depreciation		834
31 December 2022		<u>\$2,501</u>
1 January 2021		\$834
Depreciation		833
31 December 2021		<u>\$1,667</u>
Net carrying amount as of:		
31 December 2022		<u>\$24,172</u>
31 December 2021		<u>\$25,006</u>
	<u>2022</u>	<u>2021</u>
Net income from investment property	<u>\$7,862</u>	<u>\$3,606</u>

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

Investment property held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment property is categorized within Level 3. The fair value of investment properties is NT\$74,613 thousand and NT\$73,714 thousand as of 31 December 2022 and 31 December 2021, respectively. The fair value has been determined based on valuations performed by an independent appraiser. The valuation methods used are the income approach and comparison approach, and the inputs used are as follows:

Income approach:		31 December 2022	31 December 2021
Net income margin		\$110,269	\$108,262
Capitalization rate		2.07%	2.07%
Comparison approach:		31 December 2022	31 December 2021
Regional factors		100%	100%
Individual factors		90%-94%	91%-93.5%

12. Short-term loans

	Interest rates (%)	31 December 2022	31 December 2021
Unsecured bank loans	1.64%~2.15%	\$658,803	\$95,000
Secured bank loans	2.30%	290,000	-
Unsecured loans – related party	2.00%	400,811	-
Total		\$1,349,614	\$95,000

The unused available line from short-term loans as of 31 December 2022 and 31 December 2021 are NT\$ 1,270,000 thousand and NT\$840,000 thousand.

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

	31 December 2022	31 December 2021
Held for trading purpose:		
Contingent consideration from business combination	\$1,623,149	-
Current	\$694,943	\$-
Non-current	\$928,206	\$-

14. Other payables and other payables-related parties

	31 December 2022	31 December 2021
Investments payable	\$460,650	\$-
Professional service fees payable	6,202	5,758
Employees' remuneration payable	52,961	33,198
Bonus payable	39,705	18,914
Salaries payable	7,894	8,742
Other payable	20,608	32,770
Total	\$588,020	\$99,382

15.Domestic convertible bonds payable

	31 December 2022	31 December 2021
Liability component:		
Principal amount	\$708,000	\$-
(Discounts) on convertible bonds payable	(65,637)	-
Subtotal	642,363	-
Less: current portion	-	-
Net	\$642,363	\$-
Embedded derivative (shown as “Financial assets measured at fair value through profit or loss, non- current)	\$2,336	\$-
Equity component	\$83,791	\$-

Please refer to Note VII.26 for more details on the evaluation of gain and loss of embedded derivatives and the interest expenses of the domestic convertible bonds payable.

On 28 September 2022, the Company issued 2nd zero coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer’s ordinary shares). The terms of the bonds are as follows:

Issue amount: NT\$800,000 thousand

Period: 28 September 2022 ~ 28 September 2027

Important redemption clauses:

- (1) If the closing price of the Company’s common shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days is above than the conversion price by 30%, the Company may redeem the bonds at the price of the bond’s part value within 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date.
- (2) The Company may redeem the bonds at the price of the bond’s part value within 30 days during the period from the date after three months of the bonds issue to 40 days before the maturity date if the outstanding balance of the bonds is less than 10% of total initial issued principal amount.
- (3) Bondholders have the right to require the Company to redeem all or any portion of the bonds at the principal amount of the bonds with an interest, totaled at 100.7519% of principal amount after 28 September 2025.

Terms of Exchange:

- (1) Underlying Securities: Common shares of the Company
- (2) Exchange Period: The bonds are exchangeable at any time on or after 29 December 2022 and prior to 28 September 2027 into common shares of the Company.

- (3) Exchange Price and Adjustment: The exchange price was originally NT\$300 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.
- (4) Redemption on the Maturity Date: On the maturity date, the Company will redeem the bonds that remain outstanding at the principal amount.

The bonds already exchanged amount to NT\$92,000 thousand and 3,067 thousands of common shares recognized as capital collected in advance as of 31 December 2022.

16. Long-term loans

Details of long-term loans as of 31 December 2022 and 31 December 2021 are as follows:

Lenders	31 December 2022	Interest rate (%)	Maturity date and terms of repayment
Chang Hwa secured bank loan	\$496,434	1.78%	From 23 December 2019 to 23 December 2034. 156 monthly instalment (principal and interests) starting from 23 January, 2022.
O-bank unsecured bank loan	100,000	1.70%	From 29 November 2021 to 1 November 2024. 7 quarterly installments (principal), starting from 1 May 2023.
CTBC unsecured bank loan	200,000	2.08%	From 17 June 2022 to 17 June 2027; 17 monthly installments (principal), starting from 17 June 2023.
CTBC syndicated bank loan (Note 2)	2,581,000	2.56%	From 30 September 2022 to 30 September 2027. 9 semi-annually instalments (principal), starting from 30 September 2023.
Subtotal	3,377,434		
Less: unamortized issuance cost	(25,791)		
Subtotal	3,351,643		
Less: current portion	(416,311)		
Total	\$2,935,332		
Lenders	31 December 2021	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa secured bank loan	\$534,000	1.15%	From 23 December 2019 to 23 December 2034. 156 monthly instalment (principal and interests) starting from 23 January, 2022.
O-bank unsecured bank loan	100,000	0.9837%	From 29 November 2021 to 1 November 2024. 7 quarterly installments (principal), starting from 1 May 2023.
Subtotal	634,000		
Less: current portion	(38,304)		
Total	\$595,696		

- (1) The Company pledged a portion of lands, buildings and investment properties to set first mortgage to the secured loan led by Chang Hwa Bank. Please refer to Note VIII for more details on pledges for the loan.

(2) The Company (the “Guarantor and borrower”) and the Company’s subsidiary, TWi Pharmaceuticals Inc. (the “Borrower”) entered into a syndicated loan agreement with CTBC Bank (the Agent) and other 7 banks (the “Banks”), amounted to NT\$4,000,000 thousand which NT\$3,000,000 (the “Part A”) is solely used for the acquisition of 100% equity interest of TWi Pharmaceuticals, Inc. and NT\$1,000,000 (the “Part B”) is for the repayment of borrower’s financial liabilities and providing the Borrower with medium-term working capital. The Company is acting as the joint guarantor of the Borrower for the Part B. The term of loan is five years from the drawdown date, which shall be within 3 months after signing the contract. As of 31 December 2022, the available line of the syndicated loan amounted to NT\$4,000,000 thousand, with the outstanding long-term balance amounted to NT\$2,581,000 thousand and the outstanding short-term balance amounted to NT\$720,000 thousand. During the term of the contract, the Company shall be in compliance with following financial covenants. The financial covenants will be tested based on audited or reviewed consolidated financial statements on a semi-annually basis:

- ① Current ratio shall not be less than 120%
- ② Financial liability ratio (financial liabilities over EBITDA) shall not be higher than 3.
- ③ Interest coverage ratio (EBITDA over interest expense) shall not be less than 5.
- ④ In the event that the borrower violates the restriction defined in the contract, the Agent 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.
 - b. All the outstanding loans, together with accrued interest, and other amounts due to the Agent and the Banks (collectively, “Liabilities”) to become immediately due and payable.
 - c. Notify the Banks that the deposits the Borrowers maintain at the Banks and all of the Borrower’s claims from the Banks shall offset with all the Liabilities under the agreement.
 - d. Claim for the security.
 - e. Request the maker of the promissory note under the agreement to repay the outstanding Liabilities.
 - f. Claim all the outstanding Liabilities from the joint guarantor.
 - g. Has the power to enter into, perform, or exercise all rights under applicable law, the loan agreement, and other relevant documents, without sending out a reminder, protest or any other notification in accordance with applicable law,.

The financial covenants shall be tested on as semi-annual basis since on 30 June 2023. No Event of Default under the agreement will occur if the failure to comply is capable of remedy in next financial covenants test. But, the borrowers shall pay the lenders a fee of 0.1% of outstanding principal at violation date. If the next financial covenants test is not satisfied, the failure to compliance will result in an event of default.

17. Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended 31 December 2022 and 2021 are NT\$5,421 thousand and NT\$5,981 thousand, respectively.

18. Equity

(1) Common stock

- ① As of 31 December 2022 and 2021, the Company's authorized capital was NT\$1,200,000 thousand, consisting of 1,200,000 thousand shares, with par value at NT\$10 per share. The outstanding shares amounted to NT\$753,815 thousand and NT\$684,123 thousand and, consisting of 75,382 thousand shares and 68,412 thousand shares, respectively. Each share has one voting right and a right to receive dividends.
- ② 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.
- ③ In 2021, 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.
- ④ In 2022, the company's employee stock option holders have converted 51 thousand shares at the subscription price of NT \$65.4 per share and 4 thousand shares at NT\$140.3 per share, of which 4 thousand shares have not completed the registration process, and were recognized as share capital - advance receipts for ordinary share.
- ⑤ Capitalization of stock dividends in the amount of NT\$68,522 thousand with par value at NT\$10 per share was approved and 6,852 thousand common shares were authorized for issue by the Board of shareholders on 24 May 2022. The capital injection was approved by the Financial Supervisory Commission on 16 September 2022 and the amendment registration was completed.
- ⑥ In 2022, the company's 2nd convertible bond amounted to NT\$92,000 thousand had been converted to 307 thousand of ordinary shares with an amount of NT\$83,470 thousand recognized in equity by bondholders. All the converted shares have not completed the registration process, and were recognized as share capital - advance receipts for ordinary share.

(3) Capital surplus

	31 December 2022	31 December 2021
Additional paid-in capital	\$896,503	\$890,826
Conversion premium from convertible bonds	179,574	88,282
Employee stock option	39,020	11,562
Treasury stock	35,315	35,315
Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired/disposed of	2,177	-
Due to recognition of equity component of convertible bonds issued	83,791	-
Total	<u>\$1,236,380</u>	<u>\$1,025,985</u>

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 2022:		(Unit: thousand shares)		
Cause	Beginning balance	Addition	Decrease	Ending balance
Transfer to employees	-	300	-	300

For the year ended 31 December 2021: None.

b. As of 31 December 2022 and 2021, the treasury stock held by the Company were NT\$53,092 and NT\$0 thousand, respectively, and the number of treasury stock held by the Company was 300 thousand and 0 thousand shares, respectively.

(4) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order and the earnings distributions may be made on a semiannually basis:

- 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, will be recommended 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 R.O.C. Company Act, 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 make good 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 by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from 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 reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

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, any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting on 26 March 2023 and shareholders' meeting on 24 May 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$139,065	\$74,974	\$-	\$-
Special reserve	(23,919)	19,019	-	-
Common stock— cash dividend	617,095	239,828	8	3.5
Common stock— stock dividend	231,410	68,522	3	1

Note: Cash dividend and payout ratio of the plan of appropriation of earnings had been adjusted as a result of the conversion of employee stock option into ordinary shares.

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

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

On 13 July 2018, and 4 November 2020, and 10 January 2022, 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, 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 given. The options are given to full-time employee that the optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

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

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

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

Date of grant	Total number of share options granted (Unit)	Exercise price of share options (NT\$) (Note)
4 June 2019	1,000	65.4
29 December 2020	275	140.3
13 August 2021	598	197.5
11 May 2022	477	143.6
31 August 2022	160	339
8 December 2022	345	\$387.5

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 depository receipts, etc.), the execution 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:

	2022		
Dividend yield (%)	-	-	-
Expected volatility (%)	50.80%~51.80%	48.02%~48.84%	45.29%~46.42%
Risk-free interest rate (%)	1.112% ~ 1.122%	0.992% ~ 1.027%	0.995% ~ 1.038%
Expected option life (Years)	3.0 ~ 3.5	3.0 ~ 3.5	3.0 ~ 3.5
Weighted average share price (\$)	\$388	\$339	\$161
Option pricing model	Black-Scholes option pricing model	Black-Scholes option pricing model	Black-Scholes option pricing model
	2021	2020	
Dividend yield (%)	-	-	
Expected volatility (%)	48.05%	44.36%	
Risk-free interest rate (%)	0.292% ~ 0.310%	0.176% ~ 0.201%	
Expected option life (Years)	3.5 ~ 4.5	3.5 ~ 4.5	
Weighted average share price (\$)	\$277	\$197	
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:

	2022		2021	
	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, beginning	935	188.6	1,195	108.1
Granted	982	261.1	598	220.7
Forfeited	(102)	197.5	(24)	180.8
Exercised	(55)	70.8	(834)	80.2
Expired	(35)	65.4	-	-
Outstanding, ending	<u>1,725</u>	<u>225.2</u>	<u>935</u>	<u>188.6</u>
Exercisable, ending	<u>78</u>	<u>-</u>	<u>86</u>	<u>-</u>

The information on the outstanding stock options as of 31 December 2022 and 2021, is as follows:

	Range of exercise price	Weighted average remaining contractual life (Years)
As of 31 December 2022 share options outstanding	\$140.3~\$387.5	2.04~3.19
As of 31 December 2021 share options outstanding	\$65.4~\$220.7	0~3.66

(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 2022 and 2021.

(3) The expense recognized for employee services received during the years ended 31 December 2022 and 2021, is shown in the following table:

	2022	2021
Total expense arising from equity-settled share-based payment transactions	<u>\$17,926</u>	<u>\$12,465</u>

20. Operating revenue

	<u>2022</u>	<u>2021</u>
Sales of goods	\$93,902	\$218,500
CDMO – services and manufacturing	183,467	158,355
Others	<u>194,372</u>	<u>83,657</u>
Subtotal	471,741	460,512
Less: sales returns and discounts	<u>(1,064)</u>	<u>(4,063)</u>
Total	<u><u>\$470,677</u></u>	<u><u>\$456,449</u></u>

For the years ending 31 December 2022 and 2021, the timing of recognizing revenue from contracts with clients is recognized at a point in time.

Contract liabilities – current (shown as “other current liabilities”)

	<u>Opening balance</u>	<u>Ending balance</u>	<u>Net Change</u>
Sales of goods	<u>\$389</u>	<u>\$8</u>	<u>\$381</u>

The significant changes in the Company’s balances of contract liabilities for the years ended 31 December 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
The opening balance subsequently recognized as revenue	<u>\$313</u>	<u>\$350</u>

21. Expected credit losses (gains)

	<u>2022</u>	<u>2021</u>
Operating expenses – Expected credit (gains)		
Accounts receivable	<u>\$(20)</u>	<u>\$(7)</u>

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

The credit risk for the Company’s financial assets at measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. Due to the counterparty the Company entered contact with are the financial institutions with high credit rating, the provision for financial assets at measured at amortized cost as of 31 December 2023 were zero.

Provisions for receivables, including notes receivable, notes receivables-related parties, accounts receivable, and accounts receivable-related parties are estimated at an amount equal to lifetime expected credit losses. Notes receivable, note receivables-related party, accounts receivable, and accounts receivable-related parties as of 31 December 2022 and 31 December 2021 are NT\$67,176 thousand and NT\$126,021 thousand, respectively. Both are not yet due and not recognize any provision as of 31 December 2022 and 2021, respectively. The relevant explanation in the evaluation to the amount of provisions for the year ended 31 December 2022 and 2021 is as follows:

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

111.12.31

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$42,270	\$-	\$-	\$-	\$-	\$-	\$42,270
Loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Total	\$42,270	\$-	\$-	\$-	\$-	\$-	\$42,270

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

The movement of the provision for accounts receivable for the years ended 31 December 2022 and 2021 is as follows:

	Accounts receivable
Balance as of 1 January 2022	\$20
Addition/(reversal) for the current period	(20)
Write off	-
Balance as of 31 December 2022	\$-
Bal. as of 31 January 2021	\$27
Addition/(reversal) for the current period	(7)
Write off	-
Balance as of 31 December 2021	\$20

22. Leases

(1) Company as a lessee

The Company leases various properties, including real estate such as land and buildings, office equipment, and transportation equipment. The lease terms range from 3 to 10 years.

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

A. Amounts recognized in the balance sheets

(a) Right-of-use assets

The carrying amount of right-of-use assets

	<u>31 December 2022</u>	<u>31 December 2021</u>
Transportation equipment	<u>\$6,900</u>	<u>\$-</u>

For the year ended 31 December 2022, the additions to right-of-use assets were NT\$8,013 thousand. There was no addition to right-of-use assets for the year ended 31 December 2021.

(b) Lease liabilities

	<u>31 December 2022</u>	<u>31 December 2021</u>
Lease liabilities	<u>\$6,920</u>	<u>\$-</u>
Current	<u>\$2,649</u>	<u>\$-</u>
Non-current	<u>\$4,271</u>	<u>\$-</u>

Please refer to Note VI.24 for the interest on lease liabilities recognized during the years ended 31 December 2022 and 2021 and refer to Note XII.5 liquidity risk management analysis for lease liabilities.

B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	<u>For the years ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
Transportation equipment	<u>\$1,113</u>	<u>\$-</u>

C. Income and costs relating to leasing activities

	<u>For the years ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	\$111	\$806
Expenses relating to leases of low-value assets (Exclude expenses relating to short-term leases of low-value assets)	112	145

D. Cash outflow relating to leasing activities

During the years ended 31 December 2022 and 2021, the Company's total cash outflows for leases amounted to NT\$1,359 thousand and NT\$951 thousand, respectively.

(2) Company as a lessor

Please refer to Note VI.11 for the disclosures of the Company's owned investment properties. Leases under 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	
	2022	2021
Lease income from operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$11,146	\$8,386

Please refer to Note VI.11 for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of 31 December 2022 and 2021 are as follow:

	31 December 2022	31 December 2021
Not later than one year	\$14,300	\$8,571
Later than one year but not later than two years	14,300	8,571
Later than two years but not later than three years	14,300	8,571
Later than three years but not later than four years	11,840	8,571
Later than four years but not later than five years	11,840	8,571
Later than five years	21,966	16,486
Total	\$88,546	\$59,341

23. Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended 31 December 2022 and 2021:

Character \ Function	For the years ended 31 December					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense:						
Salaries	\$52,246	\$136,349	\$188,595	\$51,672	\$121,063	\$172,735
Labor and health insurance	5,670	5,461	11,131	5,688	6,037	11,725
Pension	2,717	2,704	5,421	2,717	3,264	5,981
Directors' remuneration	-	13,155	13,155	-	9,375	9,375
Other employee benefits expense	3,195	1,773	4,968	2,917	1,783	4,700
Depreciation	11,473	12,307	23,780	13,728	7,680	21,408
Amortization	-	1,500	1,500	-	1,464	1,464

Note : The number of the Company's employees were 142 and 167, including 5 directors who are not concurrently employees, as of December 31, 2022 and 2021, respectively

(1) The Company's average employee benefit expenses for the years ended December 31, 2022 and 2021 were NT\$1,534 thousand and NT\$1,205 thousand, respectively.

- (2) The Company's average salary expenses for the years ended December 31, 2022 and 2021 were NT\$1,377 thousand and NT\$1,066 thousand, respectively.
- (3) The Company's average annual increment for the year ended December 31, 2022 was 29.17%.
- (4) The Company has established the Audit Committee in place of supervisors and therefore the supervisors' remuneration for the years ended December 31, 2022 and 2021 were both nil.
- (5) The Company's remuneration policies are as follows:
 - A. The Company's policy for remuneration of directors and independent directors was formulated according to the Company's Articles of Incorporation and the Remuneration Committee's Articles of Incorporation; the policy for remuneration of managers was formulated according to the Rules for Managers' Remuneration. The Remuneration Committee determines remuneration based on the evaluations on the industry's future risks, remuneration level of the peer companies, the Company's operating performance, individual contribution, etc. The remuneration will be executed when the proposal is approved by the Board of Directors.
 - B. The Company took part in the international remuneration survey to establish a remuneration policy with both external competitiveness and internal fairness. The talents can compete with the world in terms of career progression, ranking, fixed salary, variable salary, allowances and benefits, etc. The Company promotes and adjusts the salary based on individual performance, career planning and potential for development. The Company hopes to maintain and promote the Company's overall operating performance and competitiveness via both long-term and short-term incentives and feedback programs.

According to the Articles of Incorporation, no less than 2% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is 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 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 a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors 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 2022 to be NT\$37,829 thousand and NT\$15,131 thousand, respectively. The aforementioned amounts were recognized as employee benefits expense. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 to be NT\$22,382 thousand and NT\$10,815 thousand, respectively.

A resolution was approved at a Board of Directors meeting held on 16 March 2023 to distribute NT\$30,300 thousand and NT\$16,000 thousand in cash as employees' compensation and remuneration to directors for year 2022, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2022 amounted to NT\$7,529 thousand and NT\$(869) thousand, respectively, would be reversed and recognized in profit or loss in 2023.

A resolution was approved 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 for year 2021, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the

year ended 31 December 2021 amounted to NT\$4,704 thousand and NT\$1,976 thousand, respectively, was reversed and recognized in profit or loss in 2022.

24. Non-operating income and expenses

(1) Other income

	For the years ended 31 December	
	2022	2021
Interest income	\$731	\$9,413
Guarantee fee income	36,236	-
Others	23,311	23,517
Total	<u>\$60,278</u>	<u>\$32,930</u>

(2) Other gains and (losses)

	For the years ended 31 December	
	2022	2021
Gain or (Losses) on disposal of property, plant and equipment	\$(198)	\$(1,991)
Foreign exchange (losses)	(10,920)	(7,047)
(Losses) from financial assets measured at fair value through profit or loss	(47,724)	-
Others	(29)	(301)
Total	<u>\$(58,871)</u>	<u>\$(9,339)</u>

(3) Financial costs

	For the years ended 31 December	
	2022	2021
Interest expenses from bank borrowings	\$(51,238)	\$(10,995)
Interest expenses from bonds payable	(3,825)	-
Interest expenses from lease liabilities	(43)	-
Others	(824)	-
Total	<u>\$(55,930)</u>	<u>\$(10,995)</u>

25. Components of other comprehensive income

Other comprehensive income for the year ended 31 December 2022

	Arising	Reclassification	before tax	Tax Benefit (Expense)	Net of tax
Not to be reclassified to profit or loss:					
Remeasurements of defined plans for subsidiaries, affiliates and joint ventures	\$3,969	\$-	\$3,969	\$-	\$3,969
To be reclassified to profit or loss in subsequent periods:					
Translation differences of foreign operations	35,084	-	35,084	(7,017)	28,067
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	30,977	-	30,977	-	30,977
Total	<u>\$70,030</u>	<u>\$-</u>	<u>\$70,030</u>	<u>\$(7,017)</u>	<u>\$63,013</u>

Year ended 31 December 2021

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

26. Income tax

The major components of income tax expense (income) for the years ended 31 December 2022 and 2021 are as follows:

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

	For the years ended 31 December	
	2022	2021
Current income tax expense (income):		
Current income tax charge	\$15,650	\$13,073
Adjustments in respect of current income tax of prior periods	(605)	-
Deferred tax expense:		
Deferred tax expense relating to origination of temporary differences	70,515	89,003
Reversal of allowance of deferred tax asset	(17,232)	
Total income tax expense	<u>\$68,328</u>	<u>\$102,076</u>

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

	For the years ended 31 December	
	2022	2021
Deferred tax expense (income):		
Translation differences of foreign operations	<u>\$7,017</u>	<u>\$(4,967)</u>

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

	For the years ended 31 December	
	2022	2021
Net income before income tax	\$1,460,244	\$851,812
Income tax expense at the statutory rate	\$292,049	170,363
Revenues exempt from income tax	(258,099)	(118,402)
Expenses disallowed for tax purposes	1,246	53
Tax on undistributed retained earnings	15,650	13,073
Tax effect of deferred tax assets/liabilities	18,087	39,772
Prior year income tax over-estimation	(605)	-
Others	\$68,328	(2,783)
Total income tax expense recognized in profit or loss	\$1,460,244	\$102,076

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

For the year ended 31 December 2022

	1 January 2022	Recognized in profit or loss	Recognized in other comprehensive income	Acquired in business combinations	31 December 2022
Temporary differences					
Provision for inventory valuation	\$707	\$(383)	\$-	\$-	\$324
Exchange differences on translation of foreign operations	3,707	-	(7,017)	-	(3,310)
Compensated absences provisions	116	-	-	-	116
Unused tax losses	15,299	17,232	-	-	32,531
Unrealized gains (losses) from affiliate transaction	208	1,325	-	-	1,533
Unrealized foreign exchange gain or losses	-	2,551	-	-	2,551
Equity element of convertible bond	-	-	-	(23,670)	(23,670)
Unrealized investment gains and losses	(103,909)	(74,008)	-	-	(177,917)
Business combination – negative goodwill	(60,931)	-	-	-	(60,931)
Deferred tax (expense)		\$(53,283)	\$(7,017)	\$(23,670)	
Net deferred tax assets/(liabilities)	<u>\$(144,803)</u>				<u>\$(228,773)</u>
Reflected in balance sheets as follows					
Deferred tax assets	<u>\$20,037</u>				<u>\$37,054</u>
Deferred tax liabilities	<u>\$164,840</u>				<u>\$265,827</u>

For the year ended 31 December 2021

	1 January 2021	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2021
Temporary differences				
Provision for inventory valuation	\$972	\$(265)	\$-	\$707
Exchange differences on translation of foreign operations	(1,260)	-	4,967	3,707
Compensated absences provisions	116	-	-	116
Unused tax losses	-	15,299	-	15,299
Unrealized gains (losses) from affiliate transaction	336	(128)	-	208
Unrealized investment gains and losses	-	(103,909)	-	(103,909)
Business combination – negative goodwill	(60,931)	-	-	(60,931)
Deferred tax (expense)		<u>\$(89,003)</u>	<u>\$4,967</u>	
Net deferred tax assets/(liabilities)	<u>\$(60,767)</u>			<u>\$(144,803)</u>
Reflected in balance sheets as follows				
Deferred tax assets	<u>\$1,424</u>			<u>\$20,037</u>
Deferred tax liabilities	<u>\$62,191</u>			<u>\$164,840</u>

(5) Unrecognized deferred tax assets

As of 31 December 2022 and 2021, deferred tax assets have not been recognized amounted to NT\$32,531 thousand and NT\$15,300 thousand, respectively.

(6) The assessment of income tax returns

As of 31 December 2022, the assessment of the income tax returns of the Company is as follows:

The Company	The assessment of income tax returns Assessed and approved up to 2020
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27. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company 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 equity holders of the Company 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.

	<u>For the years ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$1,391,916</u>	<u>\$749,736</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>75,140</u>	<u>74,711</u>
Basic earnings per share (NT\$)	<u>\$18.52</u>	<u>\$11.04</u>
	<u>For the year ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
(2) Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (in thousand NT\$)	<u>\$1,391,916</u>	<u>\$749,736</u>
Interest expense from convertible bonds (in thousand NT\$)	<u>3,060</u>	<u>-</u>
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	<u>1,394,976</u>	<u>749,736</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>75,140</u>	<u>67,893</u>
Effect of dilution:		
Employee compensation – stock (in thousands)	<u>113</u>	<u>122</u>
Employee stock options (in thousands)	<u>291</u>	<u>100</u>
Convertible bonds (in thousands)	<u>694</u>	<u>-</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>76,238</u>	<u>74,933</u>
Diluted earnings per share (NT\$)	<u>\$18.30</u>	<u>\$10.01</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

VII. Related party transactions

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

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Union Chemical & Pharmaceutical Co., Ltd.	Subsidiary
Bora Health Inc.	Subsidiary
Bora Pharmaceutical Laboratories Inc.	Subsidiary
Bora Pharmaceuticals USA Inc.	Subsidiary
Bora Pharmaceutical Services Inc.	Subsidiary
Bora Biologics Co., Ltd.	Subsidiary
TWi Pharmaceuticals, Inc.	Subsidiary (Note)
Synpac-Kingdom Pharmaceutical Co., Ltd.	Subsidiary (Note)
TWi Pharmaceuticals USA, Inc.	Subsidiary (Note)
Hoan Pharmaceuticals Ltd.	Substantive related party

Note : The Company acquired 100% equity interest on 1 September 2022.

Significant transactions with the related parties

1. Sales

	For the years ended 31 December	
	2022	2021
Hoan Pharmaceuticals Ltd.	\$13,416	\$36,545
Bora Health Inc.	19,845	11,521
Union Chemical & Pharmaceutical Co., Ltd.	5,854	9,077
Bora Pharmaceutical Laboratories Inc.	194,353	12,895
Bora Pharmaceutical Services Inc.	-	49,770
Total	\$233,468	\$119,808

The sales prices to the above related parties were not significantly different from those of sales to third party. The payment term is from 60 days to 120 days, which is very close to the term offered to third parties.

2. Purchases

	For the years ended 31 December	
	2022	2021
Hoan Pharmaceuticals Ltd.	\$18,003	\$61,422
Bora Health Inc.	526	-
Union Chemical & Pharmaceutical Co., Ltd.	9,673	39,332
Bora Pharmaceutical Laboratories Inc.	500	11,605
Total	\$28,702	\$112,359

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

3. Notes Receivables - related parties

	31 December 2022	31 December 2021
Hoan Pharmaceuticals Ltd.	\$-	\$2,233
Bora Health Inc.	5	-
Total	\$5	\$2,233

4. Accounts receivable-related parties

	31 December 2022	31 December 2021
Hoan Pharmaceuticals Ltd.	\$-	\$15,117
Bora Pharmaceutical Laboratories Inc.	60,666	12,998
Union Chemical & Pharmaceutical Co., Ltd.	-	9,490
Bora Health Inc.	5,847	12,097
Bora Pharmaceutical Services Inc.	-	49,770
Net	\$66,513	\$99,472

5. Other receivables-related parties

	<u>31 December 2022</u>	<u>31 December 2021</u>
Bora Pharmaceutical Laboratories Inc.(Note)	\$8,270	\$389,503
Bora Pharmaceutical Services Inc.	37,243	3,085
The subsidiaries of the Company	3,143	871
Bora Health Inc.	2,359	210
Hoan Pharmaceuticals Ltd.	-	35
Total	<u>\$51,015</u>	<u>\$393,704</u>

Note: The Company acquired Bora Pharmaceutical Laboratories Inc.'s right as a creditor when the Company acquired the shares of Bora Pharmaceutical Laboratories Inc. The other receivables acquired through business acquisition with Bora Pharmaceutical Laboratories Inc. have been fully paid at 31 December 2022.

6. Notes payables-related party

	<u>31 December 2022</u>	<u>31 December 2021</u>
Hoan Pharmaceuticals Ltd.	\$-	\$7,596

7. Accounts payable -related parties

	<u>31 December 2022</u>	<u>31 December 2021</u>
Bora Pharmaceutical Laboratories Inc.	\$-	\$12,146
Union Chemical & Pharmaceutical Co., Ltd.	-	14,574
The subsidiaries of the Company	356	-
Hoan Pharmaceuticals Ltd.	-	12,665
Total	<u>\$356</u>	<u>\$39,385</u>

8. Other payables-related parties

	<u>31 December 2022</u>	<u>31 December 2021</u>
Bora Pharmaceutical Laboratories Inc.	\$3,165	\$6,243
Hoan Pharmaceuticals Ltd.	-	1,341
Union Chemical & Pharmaceutical Co., Ltd.	-	415
The subsidiaries of the Company	138	-
Total	<u>\$3,303</u>	<u>\$7,999</u>

9. Sales and marketing expenses

	<u>31 December 2022</u>	<u>31 December 2021</u>
Hoan Pharmaceuticals Ltd.	\$2,100	\$4,720

10. Others

- a. The Company entered into Service Agreements with the subsidiaries to provide shared service during the period. For the years ended 31 December 2022 and 2021, the shared serviced charged to the subsidiaries were recorded as other revenue at the amount of NT\$9,349 thousand and NT\$14,400 thousand, respectively.
- b. The Company collected guarantee fee income from its subsidiaries – Bora Health Co., Ltd., Bora Pharmaceutical Laboratories Inc., Bora Pharmaceutical Services Inc., Bora Biologics Co., Ltd., and TWi Pharmaceuticals, Inc. amounted to NT\$222 thousand, 1,529 thousand, 33,913 thousand, 22thousand and NT\$550 thousand, respectively.

11. Key management personnel compensation

	Years Ended December 31	
	2022	2021
Short-term employee benefits	\$37,190	\$27,597
Post-employment benefits	238	108
Total	\$37,428	\$27,705

VIII. Assets pledged as security

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

Items	Carrying amount		Secured liabilities
	31 December 2022	31 December 2021	
Financial assets measured at amortized cost	\$38,522	\$-	Long-term loans
Property, plant and equipment - land	889,813	\$889,813	Short-term loans and Long-term loans
Property, plant and equipment - buildings	153,814	54,914	Short-term loans and Long-term loans
Investment property	24,172	25,006	Long-term loans
Investments accounted for using the equity method – Twi shares (note _)	6,358,680	-	Long-term loans
Total	\$7,465,001	\$969,733	

Note: Except for the pledged assets above, the Company also pledged all the shares of TWi Pharmaceuticals, Inc.

IX. Significant contingencies and unrecognized contractual commitments

(1) As of 31 December 2022, the construction contracts that the Company have are as follows:

Construction name	Amount	Paid amount	Unpaid amount
Ruiguang building construction project - interior design	\$33,873	\$24,556	\$9,317
Ruiguang Building Construction project – exterior design	21,000	14,135	6,865

(2) The Company and the Company's subsidiary, TWi Pharmaceuticals Inc. (the "Borrower") entered into a syndicated loan agreement with CTBC Bank (the "Agent") and other 7 banks, amounted to NT\$4,000,000 thousand for the acquisition of 100% equity interest in TWi Pharmaceuticals, Inc. and providing the Borrower with medium-term working capital. The Company is acting as the joint guarantor of the Borrower for the Part B. The term of loan is five years from the drawdown date, which shall be within 3 months after signing the contract. During the term of the contract, the Company should be compiled with the financial covenants. The financial covenants shall be tested based on audited or reviewed consolidated financial statements on a semi-annually basis. Please refer to Note VI.17 for more details on the financial covenants.

(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. Losses due to major disasters

None.

XI. Significant subsequent events

For the period from 29 December 2022 to 13 March 2023, NT\$92,000 thousand of the 2nd zero coupon unsecured convertible bonds issued by the Company has been converted to 3,067 thousands of common shares. In addition, the company's employee stock option holders have converted 36 thousand shares from 1 January 2023 to 13 March 2023, together with 4 thousand shares recognized as capital collected in advance as of 31 December 2022, totaled 40 thousand shares. A resolution was approved at a Board of Directors meeting held on 16 March 2023 for the capital injection of the above shares converted. After the completion of capital injection registration, the outstanding shares amounted to NT\$774,348 thousand, consisting of 77,435 thousand shares.

XII. Financial instruments

1. Categories of financial instruments

<u>Financial assets</u>	As of 31 December	
	2022	2021
Financial assets measured at fair value through profit or loss:		
Embedded derivatives	\$2,336	\$-
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	152,123	183,079
Financial assets measured at amortized cost	38,522	-
Notes receivable (including related parties)	663	26,549
Accounts receivable (including related parties)	108,783	165,999
Other receivables (including related parties)	51,218	395,993
Subtotal	<u>351,309</u>	<u>\$771,620</u>
Total	<u>\$353,645</u>	<u>\$771,620</u>

<u>Financial liabilities</u>	As of 31 December	
	2022	2021
Financial liabilities at amortized cost		
Short-term loans	\$1,349,614	\$95,000
Accounts and other payables (including amount recognized in other current liabilities)	1,028,513	161,183
Bonds payable	642,363	-
Long-term loans (including current portion)	3,351,643	634,000
Lease liabilities	6,920	-
Subtotal	<u>6,379,053</u>	<u>890,183</u>
Financial liabilities at fair value through profit or loss:		
Contingent considerations from business combinations	1,623,149	-
Subtotal	<u>1,623,149</u>	<u>-</u>
Total	<u>\$8,002,202</u>	<u>\$890,183</u>

2. Financial risk management objectives and policies

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

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

3. Market risk

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

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

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company 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 Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company'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 2022 and 2021 will be decreased/increased by NT\$24,327 thousand and NT\$64 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of 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 years ended 31 December 2022 and 2021 to decrease by NT\$4,779 thousand and NT\$546 thousand, respectively.

4. Credit risk management

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

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

As of 31 December 2022 and 31 December 2021, accounts receivable from top ten customers represent 99% and 84% of the total receivables of the Company, respectively. The credit concentration risk of rest of customers is insignificant.

Credit risk from deposits with banks, fixed income securities and other financial instruments is managed by the Company's finance department in accordance with the Company's policy. The Company only transacts with counterparties the Company entered with shall be in compliance with internal control procedures. 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 Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank loans and convertible bond. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	<u><=1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2022					
Borrowings	\$1,844,243	\$1,537,644	\$1,268,142	\$321,735	\$4,971,764
Accounts and other payables	621,605	406,908	-	-	1,028,513
Convertible bonds	-	-	708,000	-	708,000
Lease liabilities	2,726	4,316	-	-	7,042
	<u><= 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2021					
Borrowings	\$140,227	\$190,649	\$95,702	\$338,000	\$764,578
Accounts and other payables	161,183	-	-	-	161,183

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Long-term loans	Leases liabilities	Total liabilities from financing activities
As of 1 January 2022	\$95,000	\$634,000	\$-	\$729,000
Cash flows	1,254,614	2,715,833	(1,093)	3,969,354
Non-Cash flows				
Addition	-	-	8,013	8,013
Issuance Costs	-	1,810	-	1,810
As of 31 December 2022	<u>\$1,349,614</u>	<u>\$3,351,643</u>	<u>\$6,920</u>	<u>\$4,708,177</u>

Reconciliation of liabilities for the year ended 31 December 2021:

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

7. Fair values of financial instruments

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

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

- A. The carrying amount of cash and cash equivalents, receivables, accounts payable and 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 discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- 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 of financial instruments measured at amortized cost

Other than the table below, the carrying amount of the Company's financial assets and financial liabilities approximate their fair value.

	Carrying amount as of	
	31 December 2022	31 December 2021
Financial liabilities:		
Bonds payable	\$642,363	\$-
	Fair value as of	
	31 December 2022	31 December 2021
Financial liabilities:		
Bonds payable	\$657,166	\$-

(3) Fair value measurement hierarchy for financial instruments

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

8. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

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

As of 31 December 2022:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss:				
Embedded derivatives	-	-	\$2,336	\$2,336
Total	\$-	\$-	\$2,336	\$2,336
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liabilities at fair value through profit or loss:				
Contingent considerations from business combinations	-	-	\$1,623,149	\$1,623,149
Total	\$-	\$-	\$1,623,149	\$1,623,149

For the period from 1 January 2021 to 31 December 2021: None

Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2022 and 2021, 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:

31 December 2022:

	Assets/Liabilities measured at fair value through profit or loss	
	Derivatives	Contingent considerations
As of 1 January 2022	\$-	\$-
Acquisition/issues	(4,640)	(1,558,937)
Gains (losses) recognized in profit or loss: (presented in "other gains or (losses)")	6,976	(64,212)
As of 31 December 2022	\$2,336	\$(1,623,149)

For the period from 1 January 2021 to 31 December 2021: 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:

As of 31 December 2022

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Relationship between inputs and fair value</u>	<u>Sensitivity of the input to fair value</u>
Financial assets:					
At fair value through profit or loss					
Stocks	Market approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT\$51 thousand
At fair value through profit and loss:					
Embedded derivatives	Binomial tree pricing method for convertible bond	Volatility	56.48%	The higher the volatility, the higher the fair value of the embedded derivatives	1% increase (decrease) in the volatility would result in an increase by NT\$212 thousand or a decrease by NT\$142 thousand in the Company's profit or loss
Financial liabilities:					
Contingent consideration	Discounted cash flow	Discount rate	10.90%	The higher the discount rate, the lower the fair value of the contingent consideration	1% increase (decrease) in the discount rate would result in an decrease of NT\$16,060 thousand or an increase of NT\$16,438 thousand in the Company's profit or loss

As of 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 profit or loss					
Stocks	Market approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT\$123 thousand

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

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

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

As of 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	\$-	\$-	\$74,613	\$74,613

As of 31 December 2021

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

9. Significant assets and liabilities denominated in foreign currencies

	Unit: thousands		
	<u>31 December 2022</u>		
	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
Monetary items:			
USD	\$1,978	30.71	\$60,757
<u>Financial liabilities</u>			
Monetary items:			
USD	81,192	30.71	2,493,409

At 31 December 2021: None

The Company mainly uses USD as transaction currency. The Company only discloses monetary financial assets and financial liabilities of USD. For the years ended 31 December 2022 and 2021, the foreign exchange losses on monetary financial assets and financial liabilities amounted to NT\$10,920 thousand and NT\$7,047 thousand, respectively.

10. Capital management

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

XIII. Other disclosure

1. Information at significant transactions

- (a) Financing provided to others for the year ended 31 December 2022: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others for the year ended 31 December 2022: Please refer to Attachment 2.
- (c) Securities held as of 31 December 2022 (exclude investment subsidiaries, affiliated companies and joint venture control parts) : Please refer to Attachment 3.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: Please refer to Attachment 4.
- (e) Acquisition 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 2022: None.

- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: 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 2022: Please refer to Attachment 5.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of 31 December 2022: None.
- (i) Financial instruments and derivative transactions: None.

2. Information on investees: Please refer to Attachment 6.

3. Investment in Mainland China: None.

4. Information on major shareholders: Please refer to Attachment 7.

Attachment 1

Loans to others

No. (Note 1)	Lender	Borrower	Financial statement account	Is a related party	Maximum outstanding balance for the period	Ending balance	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Transaction amounts (Note 5)	Reason for short-term financing (Note 6)	Loss allowance	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loan granted (Note 3)
													Item	Value		
0	Bora Pharmaceuticals Co., Ltd.	Bora Biologics Co., Ltd.	Other receivables-related parties	Yes	\$150,000	\$-	\$-	-	2	\$-	Need for operation	\$-	None	\$-	\$1,811,329	\$2,264,161
1	Union Chemical & Pharmaceutical Co., Ltd.	Bora Health Inc.	Other receivables-related parties	Yes	\$20,000	\$-	\$-	-	2	\$-	Need for operation	\$-	None	\$-	\$18,431	\$23,039
2	Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceuticals Co., Ltd.	Other receivables-related parties	Yes	\$400,000	\$400,000	\$400,000	2%	2	\$-	Need for operation	\$-	None	\$-	\$891,138	\$1,113,922

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

- (1) Parent Company "0".
- (2) The subsidiaries are numbered in order from "1"

Note 2: Limit loans granted to a single party:

- (1) Business transaction: limit on loans granted to a single 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) Short-term financing: limit on loans granted to a single party shall not exceed 40% of the lender's net assets value as of the period.

Note 3: Ceiling on total loan granted:

- (1) The ceiling on total loans granted by the Company to all parties shall not exceed 50% of the Company's net asset value.
- (2) The ceiling on total loans granted by the subsidiaries to all parties shall not exceed 50% of the subsidiaries' net asset value.

Note 4: Circumstances for the financing provided to others::

- (1) Business transaction: "1".
- (2) Short-term financing "2".

Note 5: Where the purpose of the loan is for business transaction (Type "1") the transaction amount represent the accumulated business transactions between the lender and the counter party during the past 12 months.

Note 6: Where the purpose for the loan is short-term financing (Type "2"): Shall specify the reasons for the borrowing and the usage of the funds, such as repayment of loans, acquisition of equipment, working capital, etc.

Attachment 2

Endorsement/Guarantee provided to others

No. (Note 1)	Endorser/ Guarantor	Guaranteed party		Limits on endorsement/ guarantee to each guaranteed party (Note3)	Maximum balance for the period	Ending balance	Actual amount drawn down	Amount of endorsement/ guarantee secured by collateral	Ratio of accumulated endorsement/ guarantee amount to net equity of the endorser/ guarantor company	Ceiling on total endorsement/ guarantee provided (Note 4)	Guarantee provided by Parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Company name	Relationship (Note 2)										
0	Bora Pharmaceuticals Co., Ltd.	Bora Biologics Co., Ltd.	2	\$22,641,610	\$360,000	\$360,000	\$-	\$-	7.95%	\$22,641,610	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	TWi Pharmaceuticals, Inc.	2	\$22,641,610	\$1,000,000	\$1,000,000	\$720,000	\$4,380,123	22.08%	\$22,641,610	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Health Inc.	2	\$22,641,610	\$255,000	\$25,000	\$25,000	\$-	0.55%	\$22,641,610	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Laboratories Inc.	2	\$22,641,610	\$937,500	\$717,500	\$424,273	\$-	15.84%	\$22,641,610	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Services Inc.	2	\$22,641,610	\$4,609,800	\$4,215,900	\$2,720,400	\$2,720,400	60.08%	\$22,641,610	Y	N	N
1	Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	3	\$22,278,439	\$1,773,000	\$-	\$-	\$-	-%	\$22,278,439	N	N	N
2	TWi Pharmaceuticals, Inc.	Synpac- Kingdom Pharmaceutical Co., Ltd.	4	\$829,036	\$200,000	\$200,000	\$200,000	\$162,763	4.82%	\$2,072,590	N	N	N

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

(1) Parent Company "0".

(2) The subsidiaries are numbered in order from "1"

Note 2: The nature of relationship between endorser/guarantor and guaranteed party is as follows:

(1) Having business relationship.

(2) A subsidiary in which the Company holds more than 50% of the voting shares.

(3) A company in which the Company and subsidiaries holds more than 50% of the voting shares.

- (4) A investee in which the Parent holds directly or its subsidiaries hold indirectly, 50% or more 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.
- (7) A company in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other,

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.

Limit of guarantee/endorsement amount for each receiving party of TWi Pharmaceuticals, Inc. is 20% of its net worth.

Note 4: Ceiling on total guarantee/ endorsement amount of Bora Pharmaceuticals Co., Ltd. is 5 times of its net worth.

Ceiling on total guarantee/ endorsement amount of Bora Pharmaceutical Laboratories Inc. is 10 times of its net worth.

Ceiling on total guarantee/ endorsement amount of Bora Pharmaceutical Laboratories Inc. is 50% of its net worth.

Attachment 3

Securities held as of 31 December 2022. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities (Note1)	Relationship	Financial statement account	as of 31 December 2022				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 or collateral

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 thousand.

Attachment 4

Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock of the Company for the year ended December 31, 2022

Type of securities	Name of the securities	Financial statement account	Counter-party	Nature of Relationship	Beginning balance		Addition		Disposal				Ending balance	
					Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Amount	Cost	Gain (Loss) from disposal	Shares (thousand)	Amount
The Company	TWi Pharmaceuticals, Inc.	Investments accounted for using equity method	TWi Pharmaceuticals, Inc.	Investee company	-	\$-	113,825,363	\$6,274,670	-	\$-	\$-	\$-	54,000,000	\$5,676,416

Note: TWi Pharmaceuticals, Inc. reduced its share capital of 59,825,363 ordinary shares on 23 November, 2022.

Attachment 5

Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2022

Related party	Counterparty	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Terms	Unit price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	Bora Pharmaceutical Laboratories Inc.	Subsidiary	Sales	\$194,353	41.29%	120 days from the date of sale	Unit price and terms were not significantly different from transactions with third parties	Accounts receivable \$60,666	55.43%	Note 1	

Attachment 6

Information on investees: (Excluding investment in Mainland China)

Investor	Investee company	Location	Main businesses	Initial investment amount		Balance as of 31 December 2022			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	\$165,784	\$185,875	1,500,000	100%	\$45,689	\$1,300	\$2,369 (Note 1)	-
The Company	Bora Health Inc.	Taipei City, Taiwan	Pharmaceutical wholesale and healthcare product wholesale	\$190,466	\$83,099	18,918,880	90.44%	\$218,754	\$30,043	\$28,730	(Note 4)
The Company	Bora Pharmaceutical Laboratories Inc.	Miaoli County, Taiwan	Pharmaceutical Manufacturing and CDMO	\$1,156,810	\$756,810	165,000,000	100%	\$2,221,250	\$522,393	\$522,393	-
The Company	Bora Pharmaceuticals USA Inc.	State of Delaware, USA	Pharmaceutical wholesale	\$59,969	\$59,969	500,000	100%	\$62,047	\$35,285	\$35,285	-
The Company	Bora Pharmaceutical Services Inc.	Province of Ontario, Canada	Pharmaceutical Manufacturing and CDMO	\$219,279	\$219,279	100,000,000	50%	\$1,132,798	\$740,072	\$370,036	-
The Company	Bora Management Consulting Co., Ltd.	Taipei City, Taiwan	Management & Consulting	\$1,000	\$1,000	100,000	100%	\$1,931	\$(22)	\$(22)	-
The Company	Bora Biologics Co., Ltd.	Hsinchu City, Taiwan	Biotechnical Services, Research and Development Services and Pharmaceutical Manufacturing	\$1,103,720	\$100	39,425,000	65.70%	\$1,124,489	\$25,737	\$16,869	(Note 2)
The Company	Bora Pharmaceutical and Consumer Health Inc.	Taipei City, Taiwan	Cosmetics wholesale ; Management & Consulting	\$100	\$-	10,000	100%	\$31	\$(69)	\$(69)	(Note 3)
The Company	TWi Pharmaceuticals, Inc.	Taipei City, Taiwan	Pharmaceutical wholesale	\$5,676,416	\$-	54,000,000	100%	\$6,358,680	\$1,680,579	\$677,772 (Note 5)	-
Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	Province of Ontario, Canada	Pharmaceutical Manufacturing and CDMO	\$213,100	\$213,100	100,000,000	50%	\$1,132,798	\$740,072	\$370,036	-

TWi Pharmaceuticals, Inc.	Synpac-Kingdom Pharmaceutical Co., Ltd.	Taipei City, Taiwan	Pharmaceutical Manufacturing and Sales	\$580,866	\$480,866	54,252,492	98.64%	\$124,243	\$(94,074)	\$(92,595)	-
TWi Pharmaceuticals, Inc.	TWi Pharmaceuticals USA, Inc.	State of New Jersey, USA	Pharmaceutical wholesale	\$231,982	\$231,982	38	100%	\$385,310	\$528,395	\$528,395	-

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

Note 2: Bora Pharmaceutical and Consumer Health Inc. was renamed as Bora Biologics Co., Ltd. in March 2022.

Note 3: The Company registered and established a wholly-owned subsidiary, Bora Pharmaceutical and Consumer Health Inc. in June 2022.

Note 4: The Company sold partial of it shares of Bora Health Inc. in September 2022.

Note 5: The acquisition had been resolved to acquired 100% equity interest in TWi Pharmaceuticals, Inc. and its subsidiaries, Synpac-Kingdom Pharmaceutical Co., Ltd and TWi Pharmaceuticals USA, Inc. (“TWi Group”) during the special shareholders’ meeting on August 31, 2022. The acquirees have been included in the consolidated financial statements since the acquisition date.

Attachment 7

Information on major shareholders

Name of major shareholders	Shares	Percentage of Ownership
Baolei Co., Ltd.	14,400,561	19.10%
Reibaoshin Co., Ltd.	9,199,645	12.20%
Sheng Pao-Shi	4,087,996	5.42%

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

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

BORA PHARMACEUTICALS CO., LTD
The content of statements of major accounting items
For the year ended 31 December 2022

Items	Index
Statement of cash and cash equivalents	1
Statement of accounts receivable, net and accounts receivable-related parties, net	2
Statement of inventories	3
Statement of prepayments	4
Statement of changes in investments accounted for using the equity method	5
Statement of changes in right-of-use asset	6
Statement of short-term Loans	7
Statement of accounts payable	8
Statement of long-term loans	9
Statement of operating costs	10
Statement of operating expenses	11

BORA PHARMACEUTICALS CO., LTD

1.Statement of cash and cash equivalents

As of 31 December 2022

(Expressed in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Cash on hand		\$246	
Bank deposits - NTD		110,843	
Foreign currency deposits	USD 1,275,696.84 dollar	39,177	Exchange Rate of USD to NTD is 1:30.71
Foreign currency deposits	CAD 92,771.81 dollar	2,103	Exchange Rate of CAD to NTD is 1:22.67
Total		\$152,369	

BORA PHARMACEUTICALS CO., LTD

2.Statement of accounts receivable, net and accounts receivable-related parties, net

As of 31 December 2022

(Expressed in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
Client A	CDMO	\$41,724	1.The amount of individual client included in others does not exceed 5% of the account balance.
Client B	Group Procurement	60,666	
Client C	Drugs	5,847	
Others		546	
Subtotal		108,783	2.The allowance for loss is estimated based on the collectability
Less: Loss allowance		-	
Total		\$108,783	

BORA PHARMACEUTICALS CO., LTD

3.Statement of inventories

As of 31 December 2022

(Expressed in Thousands of New Taiwan Dollars)

Items	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$10,794	\$10,776	Net realizable value represents the market price
Supplies and spares parts	1,206	1,204	
Work in process	6,192	6,192	
Semi-finished goods	1,978	1,978	
Finished goods	1,612	1,612	
Merchandise	1	1	
Subtotal	21,783	21,763	
Less: Allowance for inventory valuation losses	(1,618)		
Total	20,165		

BORA PHARMACEUTICALS CO., LTD

4.Statement of prepayments

As of 31 December 2022

(Expressed in Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Prepaid insurance		\$1,512	The amount of individual item in included others does not exceed 5% of the account balance.
Prepaid professionl fee		4,912	
Others		3,102	
Total		\$9,526	

BORA PHARMACEUTICALS CO., LTD
5.Statement of changes in investments accounted for using the equity method
From 1 January 2022 to 31 December 2022
(Expressed in Thousands of New Taiwan Dollars)

Investees	Balance, 1 January 2022		Increase		Decrease		Balance, 31 December 2022			Fair Value or Net Asset Value		Collateral	Note
	Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Amount	Number of shares (thousand)	Ownership %	Amount	Unit Price (NTD)	Total Price		
1.Union Chemical & Pharmaceutical Co., Ltd.	3,000	\$63,785		\$2,369 (NOTE1) 971 (NOTE3)	1,500	\$20,000 (NOTE10) 1,436 (NOTE2)	1,500	100.00%	\$45,689	\$30.72	\$46,078	None	(NOTE6)
2.Bora Health Inc.	8,000	82,124		28,730 (NOTE1) 534 (NOTE3)	2,000	21,823 (NOTE10)	18,919	90.44%	218,754	11.57	242,009	"	(NOTE6)
3.Bora Pharmaceutical Laboratories Inc.	125,000	1,297,193	12,919	129,189 (NOTE4) 522,393 (NOTE1)		5,864 (NOTE3) 23,368 (NOTE2)	165,000	100.00%	2,221,250	13.50	2,227,844	"	(NOTE6)
			40,000	400,000 (NOTE4) 25,219 (NOTE5) 3,693 (NOTE9)									
4.Bora Pharmaceuticals USA Inc.	500	22,624		1,984 (NOTE8) 35,285 (NOTE1)			500	100.00%	62,047	124.09	62,047	"	
				3,561 (NOTE5) 577 (NOTE9)									
5.Bora Pharmaceutical Services Inc.	100,000	725,560		370,036 (NOTE1) 31,524 (NOTE5) 3,694 (NOTE9) 1,984 (NOTE8)			100,000	50.00%	1,132,798	11.33	2,265,596	"	(NOTE7)
6.Bora Management Consulting Co., Ltd	100	1,954				23 (NOTE1)	100	100.00%	1,931	19.31	1,931	"	
7.Bora Biologics Co., Ltd.	10	100	39,415	1,103,620 (NOTE4) 3,900 (NOTE9) 16,869 (NOTE1)			39,425	65.70%	1,124,489	28.53	1,711,773	"	(NOTE12)
8.Bora Pharmaceutical and Consumer Health Inc.	-	-	10	100 (NOTE4)		69 (NOTE1)	10	100.00%	31	3.10	31	"	
9.TWi Pharmaceuticals, Inc.	-	-	113,825	6,274,670 (NOTE4) 15 (NOTE8) 677,772 (NOTE1) 5,758 (NOTE5)	59,825	598,254 (NOTE10) 1,281 (NOTE11)	54,000	100.00%	6,358,680	76.76	4,145,179	"	
Total		\$2,193,340		\$9,644,447		\$672,118			\$11,165,669				

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

NOTE2: Cash dividend.

NOTE3: Intercompany Transaction - downstream: Elimination.

NOTE4: Increase in investment.

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

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

NOTE7: The difference between balance at 31 December 2022 and net asset value is due to the Company held 50% of shares.

NOTE8: Remeasurement of defined benefit plan of subsidiary according to the shareholding ratio.

NOTE9: Intercompany share-based payment transactions.

NOTE10: Capital reduction or sell partial of shares.

NOTE11: Acquisition of new shares in a subsidiary not in proportionate to ownership interest

NOTE12: The difference between balance at 31 December 2022 and net asset value is due to the company only held 65.7% of shares.

BORA PHARMACEUTICALS CO., LTD

6.Statement of changes in cost of right-of-use asset

From 1 January 2022 to 31 December 2022

Unit: Thousand New Taiwan Dollars

Items	Balance, 1 January 2022	Additions	Deductions	Balance, 31 December 2022	Note
Transportation equipment	\$-	\$8,013	\$-	\$8,013	

Statement of changes in accumulated depreciation of right-of-use asset

From 1 January 2022 to 31 December 2022

Unit: Thousand New Taiwan Dollars

Items	Balance, 1 January 2022	Additions	Deductions	Balance, 31 December 2022	Note
Transportation equipment	\$-	\$1,113	\$-	\$1,113	

BORA PHARMACEUTICALS CO., LTD

7. Statement of short-term loans

As of 31 December 2022

(Expressed in Thousands of New Taiwan Dollars)

Type	Bank	Ending balance	Contract Term	Interest Rate	Collateral	Note
Secured loan	Chang Hwa Bank	\$290,000	111/11/17-112/5/17	2.30%	Land and Buildings	
Unsecured loan	Far Eastern Int'l Bank	\$120,000	111/08/22-112/02/17	1.86%	None	
Unsecured loan	Cathay United Bank	\$150,000	111/11/11-112/02/09	1.64%	None	
Unsecured loan	Land bank of Taiwan	\$150,000	111/08/23-112/02/19	1.77%	None	
Unsecured loan	Mega International Commercial Bank	\$238,803	111/07/27-111/07/27	2.15%	None	Project Finance
Other loan	Bora Pharmaceutical Laboratories Inc.	\$400,811	111/11/14-112/11/14	2.00%	None	Related Party
Total		\$1,349,614				

BORA PHARMACEUTICALS CO., LTD

8. Statement of accounts payable

As of 31 December 2022

(Expressed in Thousands of New Taiwan Dollars)

Vendor	Description	Amount	Note
Vendor A		\$10,631	The amount of individual supplier included in others does not exceed 5% of the account balance.
Vendor B		9,818	
Vendor C		2,396	
Vendor D		2,394	
Vendor E		1,918	
Others		6,428	
Total		\$33,585	

BORA PHARMACEUTICALS CO., LTD

9. Statement of long-term loans

As of 31 December 2022

(Expressed in Thousands of New Taiwan Dollars)

Bank	Type	Ending balance	Current Portion	Non-current Portion	Contract Term	Interest Rate	Collateral	Repayment
Chang Hwa Commercial Bank	Secured loan	\$496,433	\$37,454	\$458,979	108/12/23-123/12/23	1.78%	Land and Buildings	156 monthly instalment (principal and interests) starting from 23 January , 2022.
O Bank	Unsecured loan	100,000	42,857	57,143	110/11/29-113/11/01	1.86%	None	7 quarterly installments (principal), starting from 1 May 2023
CTBC Bank	Unsecured loan	200,000	36,000	164,000	111/6/17-116/6/17	2.08%	None	17 monthly installments (principal), starting from 17 June 2023.
CTBC Bank	Secured loan	2,555,210	300,000	2,255,210	111/9/30-116/9/30	2.56%	Stock	9 semi-annually instalments (principal), starting from 30
	Total	\$3,351,643	\$416,311	\$2,935,332				

BORA PHARMACEUTICALS CO., LTD
10. Statement of operating costs
From 1 January 2022 to 31 December 2022
(Expressed in Thousands of New Taiwan Dollars)

Items	Ending balance	Note
Cost of self-made product		
Direct material		
Balance, beginning of year	\$2,385	
Add: Raw material purchased	17,733	
Gain on physical count	88	
Less: Raw material, end of year	(10,794)	
raw materials sold	(2,115)	
Raw materials scrapped	(74)	
Other	(48,711)	
Direct material used	(41,488)	
Indirect material		
Indirect material, beginning of year	1,671	
Add: Indirect material purchased	1,540	
gain on physical count	55	
Less: Indirect material, end of year	(1,206)	
Indirect material sold	(995)	
Indirect material scrapped	(161)	
Other	(42,280)	
Indirect material used	(41,376)	
Direct labor	25,699	
Manufacturing Expenses	78,731	
Manufacturing costs	21,566	
Add: Work in process, beginning of year	10,790	
Other	91,311	
Less: Work in process, end of year	(8,170)	
Work in process scrap	(248)	
Other	(2,805)	
Cost of Finished goods	112,444	
Add: Finished goods, beginning of year	8,488	
Other	450	
Less: Finished goods, end of year	(1,612)	
Finished goods scrap	(670)	
Other	(1,865)	
Subtotal of self-made product	117,235	
Cost of merchandise		
Merchandise, Beginning of year	28,137	
Add: Merchandise purchased	57,501	
Other	1,564	
Less: Merchandise, end of year	(1)	
Merchandise scrapped	(781)	
Other	(12)	
Subtotal of merchandise	86,408	
Other operating cost		
Unallocated depreciation	374	
Loss for market price decline	(220)	
Materials sold	3,110	
Group procurement	183,487	
Gain on physical count	(142)	
Other	(15,383)	
Total Operating Costs	<u>\$374,869</u>	

BORA PHARMACEUTICALS CO., LTD

11. Statement of operating expenses

From 1 January 2022 to 31 December 2022

(Expressed in Thousands of New Taiwan Dollars)

Items	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll and related expense	\$6,540	\$135,709	\$9,959	\$152,208
Insurance	653	5,572	811	7,036
Depreciation	150	10,725	1,431	12,306
Research and development expense	-	-	2,952	2,952
Commission expense	2,435	-	-	2,435
Miscellaneous expenses	1,052	12,222	412	13,686
Professional fee	-	15,197	42	15,239
Expected credit (gain)	-	(20)	-	(20)
Others (Note)	1,693	20,106	2,403	\$24,202
Total	\$12,523	\$199,511	\$18,010	\$230,044

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