

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE NINE MONTHS ENDED
September 30, 2023 AND 2022

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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' Review Report

To BORA PHARMACEUTICALS CO., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of BORA PHARMACEUTICALS CO., LTD. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagement of the Republic of China 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2023 and 2022, and its consolidated financial performance and cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting" as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Hung, Guo Sen

Chen, Ming Hung

Ernst & Young, Taiwan

November 9, 2023

Notice to Readers

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Unit: Thousands of New Taiwan Dollars

ASSETS	Notes	30 September 2023	31 December 2022	30 September 2022
Current assets				
Cash and cash equivalents	IV&VI.1	\$4,136,132	\$3,281,319	\$3,202,252
Financial assets measured at fair value through profit or loss, current	IV&VI.2	270	14	-
Financial assets at amortized cost, current	IV&VI.3&VIII	179,520	247,617	628,650
Contract assets, current	IV&VI.22.23	25,720	35,197	33,317
Notes receivable, net	IV&VI.4.23	39,497	36,900	15,799
Accounts receivable, net	IV&VI.5.23	3,799,365	6,028,343	5,739,744
Accounts receivable-related party, net	IV&VI.5.23&VII	23,814	19,707	14,653
Other receivables		102,492	286,360	149,887
Other receivables-related party	VII	32	16	43
Inventories, net	IV&VI.6	2,314,460	1,946,818	2,326,778
Prepayments	VI.7&VII	453,480	291,419	289,606
Other current assets	VI.8	131,284	67,096	50,974
Total current assets		11,206,066	12,240,806	12,451,703
Non-current assets				
Financial assets measured at fair value through profit or loss, non-current	IV&VI.2.16	-	2,336	-
Financial assets measured at amortized cost, non-current	IV&VI.3.23&VIII	13,500	62,027	85,491
Property, plant and equipment	IV&VI.9&VIII	6,692,748	6,645,112	6,394,611
Right-of-use assets	IV&VI.24	601,923	655,196	635,040
Investment properties, net	IV&VI.10&VIII	17,170	17,626	17,213
Intangible assets	IV&VI.11.12	3,293,460	2,147,431	2,218,998
Deferred tax assets	IV&VI.28	1,438,871	829,636	1,100,855
Prepayment for equipments		44,657	37,803	27,041
Refundable deposits		32,746	38,298	39,232
Other non-current assets		87,968	84,944	77,865
Total non-current assets		12,223,043	10,520,409	10,596,346
Total assets		\$23,429,109	\$22,761,215	\$23,048,049

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Unit: Thousands of New Taiwan Dollars

LIABILITIES AND EQUITY	Notes	30 September 2023	31 December 2022	30 September 2022
Current liabilities				
Short-term loans	IV&VI.13	\$1,917,315	\$2,161,065	\$2,685,682
Financial liabilities measured at fair value through profit or loss, current	IV&VI.14.30	1,440,849	695,476	624,948
Contract liabilities, current	IV&VI.22	180,663	85,692	96,176
Notes payable		4,465	2,856	3,706
Accounts payable		446,778	426,851	372,479
Accounts payable-related party	VII	36,643	25,031	22,880
Other payables	VI.15.30	1,405,040	3,891,975	3,335,432
Other payables-related party	VII	1,702	1,129	-
Income tax payable	IV&VI.28	766,045	238,651	410,824
Provisions, current	IV&VI.19	140,573	134,381	128,624
Lease liabilities, current	IV&VI.24	87,204	75,307	66,842
Current portion of Bonds payable	IV&VI.16	21,838	-	-
Current portion of long-term loans	VI.17	1,194,649	725,627	702,726
Refund liabilities	IV&VI.22	1,960,702	2,023,565	2,252,171
Other current liabilities		7,292	7,917	5,420
Total current liabilities		9,611,758	10,495,523	10,707,910
Non-current liabilities				
Financial liabilities measured at fair value through profit or loss, non-current	IV&VI.14.30	300,771	928,206	626,781
Contract liabilities, non-current	IV&VI.22	-	4,184	4,184
Bonds payable	IV&VI.16	1,530,137	642,363	722,090
Long-term loans	VI.17	1,526,566	3,394,474	3,926,627
Provisions, non-current	IV&VI.19	252,400	341,716	381,404
Deferred tax liabilities	IV&VI.28	989,512	742,848	925,944
Lease liabilities, non-current	IV&VI.24	534,275	596,879	584,415
Other non-current liabilities	VI.30	301,327	474,566	474,534
Total non-current liabilities		5,434,988	7,125,236	7,645,979
Total liabilities		15,046,746	17,620,759	18,353,889
Equity attributable to the parent company	VI.20			
Capital				
Common stock		1,008,308	753,815	753,815
Advance receipts for ordinary share		4,692	3,107	-
Capital surplus		2,364,642	1,236,380	1,143,044
Retained earnings				
Legal reserve		355,501	216,436	216,436
Special reserve		-	23,919	23,919
Unappropriated earnings		3,807,509	2,308,664	1,906,061
Subtotal		4,163,010	2,549,019	2,146,416
Other equity		228,933	39,093	98,539
Treasury stock		(52,738)	(53,092)	(53,092)
Equity attributable to shareholders of the parent		7,716,847	4,528,322	4,088,722
Non-controlling interests	VI.20	665,516	612,134	605,438
Total equity		8,382,363	5,140,456	4,694,160
Total liabilities and equity		\$23,429,109	\$22,761,215	\$23,048,049

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unit: Thousands of New Taiwan Dollars

	Notes	For the three months ended 30 September 2023	For the three months ended 30 September 2022	For the nine months ended 30 September 2023	For the nine months ended 30 September 2022
Operating revenue	IV&VI.22&VII	\$3,075,381	\$2,724,136	\$10,994,478	\$5,196,021
Operating costs	VI.6.9.10.11. 18.24.25&VII	(1,431,216)	(1,822,152)	(5,700,083)	(3,376,453)
Gross profit		1,644,165	901,984	5,294,395	1,819,568
Operating expenses					
Sales and marketing expenses	VI.9.10.11.18. 21.23.24.25& VII	(119,786)	(62,450)	(315,503)	(152,870)
General and administrative expenses		(242,574)	(167,780)	(676,848)	(356,701)
Research and development expenses		(62,710)	(28,424)	(188,733)	(45,647)
Total operating expenses		(425,070)	(258,654)	(1,181,084)	(555,218)
Operating income		1,219,095	643,330	4,113,311	1,264,350
Non-operating income and expenses	VI.26				
Other revenue		18,021	7,696	71,621	14,714
Other gains and (losses)		(272,698)	162,210	(668,257)	180,590
Financial costs		(41,402)	(31,208)	(132,186)	(55,537)
Total non-operating income and (expenses)		(296,079)	138,698	(728,822)	139,767
Net income before income tax		923,016	782,028	3,384,489	1,404,117
Income tax expense	IV&VI.28	(178,265)	(207,902)	(895,642)	(410,826)
Net income		744,751	574,126	2,488,847	993,291
Other comprehensive income	IV&VI.27.28				
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains or losses on remeasurements of defined benefit plans		-	-	(11,571)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	3,067	-
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translation foreign operations		123,450	49,963	247,930	153,073
Income tax related to items to be reclassified subsequently to profit or loss		(24,690)	(9,993)	(49,586)	(30,614)
Total other comprehensive income, net of tax		98,760	39,970	189,840	122,459
Total comprehensive income		\$843,511	\$614,096	\$2,678,687	\$1,115,750
Net income attributable to:					
Stockholders of the parent		\$733,168	\$568,882	\$2,464,535	\$988,047
Non-controlling interests		\$11,583	\$5,244	\$24,312	\$5,244
Comprehensive income attributable to:					
Stockholders of the parent		\$831,928	\$608,852	\$2,654,375	\$1,110,506
Non-controlling interests		\$11,583	\$5,244	\$24,312	\$5,244
Earnings per share (NTD)	IV&VI.29				
Earnings per share-basic		\$7.28	\$5.83	\$24.63	\$10.12
Earnings per share-diluted		\$7.14	\$5.82	\$24.11	\$10.09

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unit: Thousands of New Taiwan Dollars

Items	Equity attributable to shareholders of the parent											Non-controlling interests	Total equity
	Capital		Capital surplus	Retained earnings			Other equity			Treasury stock	Total		
	Common stock	Advance receipts for ordinary share		Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translation of foreign operations	Unrealized gain (Loss) on financial assets at fair value through other comprehensive income	Gains or losses on remeasurements of defined benefit plans				
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	\$-	\$3,152,541	\$-	\$3,152,541
Appropriation and distribution of 2021 retained earning	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	74,974	-	(74,974)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	19,019	(19,019)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(238,802)	-	-	-	-	(238,802)	-	(238,802)
Stock dividends	68,522	-	-	-	-	(68,522)	-	-	-	-	-	-	-
Issuance of convertible bonds	-	-	94,679	-	-	-	-	-	-	-	94,679	-	94,679
Net income for the nine months ended 30 September 2022	-	-	-	-	-	988,047	-	-	-	-	988,047	5,244	993,291
Other comprehensive income for the nine months ended 30 September 2022	-	-	-	-	-	-	122,459	-	-	-	122,459	-	122,459
Total comprehensive income	-	-	-	-	-	988,047	122,459	-	-	-	1,110,506	5,244	1,115,750
Treasury stock purchases	-	-	-	-	-	-	-	-	-	(53,092)	(53,092)	-	(53,092)
Share-based payment transactions-exercise of stock option	510	-	2,825	-	-	-	-	-	-	-	3,335	-	3,335
Share-based payment transactions-stock based compensation	-	-	17,378	-	-	-	-	-	-	-	17,378	987	18,365
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	21,823	24,000
Due to share of changes in equities of subsidiary	-	-	-	-	-	-	-	-	-	-	-	576,380	576,380
Balance as of 30 September 2022	\$753,815	\$-	\$1,143,044	\$216,436	\$23,919	\$1,906,061	\$98,904	\$(4,900)	\$4,535	\$(53,092)	\$4,088,722	\$604,434	\$4,693,156
Balance as of 1 January 2023	\$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	\$612,134	5,140,456
Appropriation and distribution of 2022 retained earnings	-	-	-	-	-	-	-	-	-	-	\$-	-	-
Legal reserve	-	-	-	139,065	-	(139,065)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(619,134)	-	-	-	-	(619,134)	-	(619,134)
Stock dividends	231,410	-	-	-	-	(231,410)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(23,919)	23,919	-	-	-	-	-	-	-
Issuance of convertible bonds	-	-	392,062	-	-	-	-	-	-	-	392,062	-	392,062
Net income for the nine months ended 30 September 2023	-	-	-	-	-	2,464,535	-	-	-	-	2,464,535	24,312	2,488,847
Other comprehensive income for the nine months ended 30 September 2023	-	-	-	-	-	-	198,344	-	(8,504)	-	189,840	-	189,840
Total comprehensive income	-	-	-	-	-	2,464,535	198,344	-	(8,504)	-	2,654,375	24,312	2,678,687
Conversion of convertible bonds	22,583	1,175	622,894	-	-	-	-	-	-	-	646,652	-	646,652
Due to share of changes in equities of subsidiary	-	-	48,270	-	-	-	-	-	-	-	48,270	28,230	76,500
Share-based payment transactions-exercise of stock option	500	410	12,137	-	-	-	-	-	-	-	13,047	-	13,047
Share-based payment transactions-stock based compensation	-	-	52,899	-	-	-	-	-	-	-	52,899	3,500	56,399
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,660)	(2,660)
Other-treasury shares sold to employees	-	-	-	-	-	-	-	-	-	354	354	-	354
Balance as of 30 September 2023	\$1,008,308	\$4,692	\$2,364,642	\$355,501	\$-	\$3,807,509	\$233,833	\$(4,900)	\$-	\$(52,738)	\$7,716,847	\$665,516	\$8,382,363

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unit: Thousands of New Taiwan Dollars

Items	For the nine months ended 30 September 2023	For the nine months ended 30 September 2022	Items	For the nine months ended 30 September 2023	For the nine months ended 30 September 2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before income tax	\$3,384,489	\$1,404,117	Acquisition of financial assets measured at amortized cost	-	(54,018)
Adjustments for:			Disposal of financial assets measured at amortized cost	116,624	-
Income and expense adjustments:			Acquisition of subsidiary (net of cash acquired)	(1,288,413)	(4,513,880)
Depreciation	309,663	155,999	Disposal of subsidiary	-	24,000
Amortization	112,345	38,812	Acquisition of property, plant and equipment	(198,251)	(117,861)
Net loss on financial assets or liabilities measured at fair value through profit or loss	819,301	(1,522)	Disposal of property, plant and equipment	3,371	8
Interest expense	132,186	55,537	Increase in refundable deposits	-	(11,739)
Interest income	(44,003)	(3,024)	Decrease in refundable deposits	5,552	-
Share-based payment expenses	56,399	18,365	Acquisition of intangible assets	(1,123,359)	(1,323)
Loss on disposal of property, plant and equipment	4,987	99	Other non-current assets	(3,024)	(8)
Gains on disposal of other assets	-	(36)	Increase in prepayment for equipments	(6,854)	-
Other	5,934	3,277	Decrease in prepayment for equipments	-	7,126
Total income and expense adjustments:	1,396,812	267,507	Net cash (used in) investing activities	(2,494,354)	(4,675,320)
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Contract assets	9,477	(33,317)	Increase in short-term loans	-	1,291,127
Notes receivable, net	(2,597)	8,526	Decrease in short-term loans	(247,002)	-
Notes receivable-related party, net	-	2,233	Issuance of convertible bonds	2,023,360	844,998
Accounts receivable, net	2,228,978	(1,181,021)	Proceeds from long-term borrowings	-	3,685,273
Accounts receivable-related party, net	(4,107)	1,052	Repayment of long-term loans	(1,417,784)	(340,854)
Other receivables	(11,957)	(11,956)	Repayment of the principal of lease liabilities	(52,920)	(19,604)
Inventories, net	(367,642)	(280,571)	Increase in other non-current liabilities	-	525
Prepayments	44,175	(104,449)	Decrease in other non-current liabilities	(289)	-
Other current assets	(64,188)	(19,180)	Cash dividends	(619,134)	(238,802)
Contract liabilities	90,787	(1,290)	Employee stock options exercised	13,047	3,335
Notes payable	1,609	2,907	Treasury stock purchases	-	(53,092)
Notes payable-related party	-	(7,596)	Treasury shares sold to employees	0.35	-
Accounts payable	19,927	40,430	Interest paid	(125,180)	(54,136)
Accounts payable-related party	11,612	10,215	Net change of non-controlling interests	73,840	576,380
Other payables	(2,281,347)	888,368	Net cash (used in) generated by financing activities	(351,708)	5,695,150
Refund liabilities	(62,863)	391,944			
Provisions	(115,628)	(85,351)	Effect of exchange rate changes on cash and cash equivalents	242,772	60,587
Other current liabilities	(625)	3,547			
Cash generated from operations	4,276,912	1,296,115	Net increase in cash and cash equivalents	854,813	2,291,503
Interest received	44,003	3,024	Cash and cash equivalents at beginning of period	3,281,319	910,749
Income tax paid	(862,812)	(88,053)	Cash and cash equivalents at end of period	\$4,136,132	\$3,202,252
Net cash generated by operating activities	3,458,103	1,211,086			

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended 30 September 2023 and 2022

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

I. History and Organization

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

The consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2023 and 2022 were authorized for issue by the Board of Directors on 9 November 2023.

III. Application of New and Revised International Financial Reporting Standards

1. The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.
2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(a) 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.

(b) 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.

(c) 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.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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 2024. The standards and interpretations have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “ <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	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(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) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

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

IV. Summary of Significant Accounting Policies

1. Statement of compliance

The consolidated financial statements of the Group for the nine months ended 30 September 2023 and 2022 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRSs").

2. Basis of preparation

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

3. Basis of consolidation

Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

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

The consolidated entities are as follows:

Investor	Subsidiary	Major business	Percentage of Ownership		
			30 September 2023	31 December 2022	30 September 2022
The Company	Union Chemical & Pharmaceutical Co., Ltd.	Pharmaceutical manufacturing and wholesale	-% (Note 1)	100%	100%
The Company	Bora Health Inc.	Pharmaceutical wholesale and healthcare product wholesale	83.64% (Note 2)	90.44%	90.44%
The Company	Bora Pharmaceutical Laboratories Inc.	Pharmaceutical contract development and manufacturing	100%	100%	100%
The Company	Bora Pharmaceuticals USA Inc.	Pharmaceutical wholesale	100%	100%	100%
The Company	Bora Pharmaceutical Services Inc.	Pharmaceutical contract development and manufacturing	50%	50%	50%
Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	Pharmaceutical contract development and manufacturing	50%	50%	50%
The Company	Bora Management Consulting Co., Ltd.	Management & consulting	100%	100%	100%
The Company	Bora Biologics Co., Ltd.	Biotechnical services, research and development services and pharmaceutical manufacturing	65.7%	65.7%	65.7%
The Company	Bora Pharmaceutical and Consumer Health Inc.	Biotechnical research and management and consulting	100%	100%	100%
The Company	TWi Pharmaceuticals, Inc.	Pharmaceutical manufacturing and wholesale	100%	100%	100%
TWi Pharmaceuticals, Inc.	Bora Pharmaceuticals Ophthalmic Inc.	Pharmaceutical manufacturing and Sales	- (Note 3)	98.64%	98.34%
TWi Pharmaceuticals, Inc.	TWi Pharmaceuticals USA, Inc.	Pharmaceutical wholesale	100%	100%	100%
Bora Health Inc.	Union Chemical & Pharmaceutical Co., Ltd.	Pharmaceutical manufacturing and wholesale	100% (Note 1)	-%	-%
Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceuticals Ophthalmic Inc.	Pharmaceutical manufacturing and Sales	98.64% (Note 3)	-%	-%

Note 1: For the Group's future strategic integrations and the full utilization of Group resources, the Company sold all the shares of Union Chemical & Pharmaceutical Co., Ltd. to Bora Health Inc. in July 2023.

Note 2: In July 2023, Bora Health Inc. issued 1,700 thousand shares to other investors which caused the ownership of the Company decreased from 90.44% to 83.64%. All the new shares issued have completed the registration process in August, 2023.

Note 3: Due to the Group's future strategic integrations and the full utilization of Group resources, Bora Pharmaceutical Laboratories Inc. was authorized by the board of directors' meeting to acquire all the shares of Bora Pharmaceuticals Ophthalmic Inc. owned by TWi Pharmaceuticals, Inc. since July 2023.

4. Except for the accounting policies listed below, the same accounting policies have been followed in the consolidated financial statements for the nine months ended September 30, 2023 and 2022 as were applied in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2022. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2022.

(1) Post-employment benefits

The pension cost for an interim period was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(2) Income taxes

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The average annual effective income tax rate is estimated by current income tax expenses only. Deferred income tax is recognized and measured according to IAS 12 “*Income Tax*” and follows the same accounting policies of the Company’s annual consolidated financial statements. When income tax rate changes occur in interim period, the effect on deferred income tax is recognized in profit or loss, other comprehensive income or equity at once.

V. Significant Accounting Judgements, Estimates and Assumptions

The same significant accounting judgments, estimates and assumptions have been applied in the consolidated financial statements for the nine months ended 30 September 2023 and 2022 as were applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2022. For significant accounting judgments, estimates and assumptions, please refer to the consolidated financial statements for the year ended 31 December 2022.

VI. Details of Significant Accounts

1. Cash and cash equivalents

	30 September 2023	31 December 2022	30 September 2022
Cash on hand	\$981	\$871	\$851
Checking accounts and demand deposits	3,825,151	3,280,448	3,131,681
Time deposits	310,000	-	69,720
Total	<u>\$4,136,132</u>	<u>\$3,281,319</u>	<u>\$3,202,252</u>

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

	30 September 2023	31 December 2022	30 September 2022
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments – Forward foreign exchange agreements	\$-	\$14	\$-
Embedded derivative – Right of redemption of convertible bonds	270	2,336	-
Total	<u>\$270</u>	<u>\$2,350</u>	<u>\$-</u>
Current	<u>\$270</u>	<u>\$14</u>	<u>\$-</u>
Non-current	<u>\$-</u>	<u>\$2,336</u>	<u>\$-</u>

The Group has no financial assets measured at fair value through profit or loss, pledged to others.

3. Financial assets at amortized cost

	30 September 2023	31 December 2022	30 September 2022
Time deposits	\$171,453	\$76,775	\$628,650
Restricted deposits	21,567	232,869	85,491
Total	<u>\$193,020</u>	<u>\$309,644</u>	<u>\$714,141</u>
Current	<u>\$179,520</u>	<u>\$247,617</u>	<u>\$628,650</u>
Non-current	<u>\$13,500</u>	<u>\$62,027</u>	<u>\$85,491</u>

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note VI.23 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 (including related party)

	30 September 2023	31 December 2022	30 September 2022
Notes receivable from operation, gross	\$39,497	\$36,900	\$15,799
Less: loss allowance	-	-	-
Subtotal	<u>39,497</u>	<u>36,900</u>	<u>15,799</u>
Notes receivable from related party, gross	-	-	-
Less: loss allowance	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$39,497</u>	<u>\$36,900</u>	<u>\$15,799</u>

Notes receivable were not overdue and not pledged. The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note VI.23 for more details on loss allowance and Note XII for details on credit risk management.

5. Accounts receivable and accounts receivable — related party

	30 September 2023	31 December 2022	30 September 2022
Accounts receivable, gross	\$3,812,450	\$6,038,657	\$5,743,526
Less: loss allowance	(13,085)	(10,314)	(3,782)
Subtotal	<u>3,799,365</u>	<u>6,028,343</u>	<u>5,739,744</u>
Accounts receivable from related party, gross	23,814	19,707	14,653
Less: loss allowance	-	-	-
Subtotal	<u>23,814</u>	<u>19,707</u>	<u>14,653</u>
Total	<u>\$3,823,179</u>	<u>\$6,048,050</u>	<u>\$5,754,397</u>

- (1) Accounts receivable were not pledged.
- (2) The terms of accounts receivable are generally on 30 to 180 days. The total gross amount as of 30 September 2023, 31 December 2022 and 30 September 2022 are NT\$3,836,264 thousand, NT\$6,058,364 thousand and NT\$5,758,179 thousand, respectively. Please refer to Note VI.23 for more details on loss allowance of accounts receivable for the nine months ended 30 September 2023 and 2022. Please refer to Note XII for more details on credit risk management.

6. Inventories, net

- (1) Details on net inventories are as follows:

	30 September 2023	31 December 2022	30 September 2022
Raw materials	\$1,018,632	\$810,560	\$724,227
Supplies and spares parts	121,034	154,196	161,836
Work in progress	62,049	46,080	37,460
Semi-finished goods	325,197	343,926	386,053
Finished goods	694,084	500,178	760,992
Merchandise	93,464	91,878	256,210
Total	<u>\$2,314,460</u>	<u>\$1,946,818</u>	<u>\$2,326,778</u>

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

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Cost of goods sold	\$1,404,619	\$1,795,788	\$5,637,391	\$3,341,615
Inventories shortage (overage)	(257)	1,538	(2,876)	(888)
Write-down of inventories loss	26,854	24,826	65,568	35,726
Total	<u>\$1,431,216</u>	<u>\$1,822,152</u>	<u>\$5,700,083</u>	<u>\$3,376,453</u>

- (3) The cost of inventories recognized in operating costs amounted to NT\$1,431,216 thousand and NT\$1,822,152 thousand for the three months ended 30 September 2023 and 2022, respectively, including the write-down of inventories loss to the net realizable value of NT\$26,854 thousand and NT\$24,826 thousand.

The cost of inventories recognized in operating costs amounted to NT\$5,700,083 thousand and NT\$3,376,453 thousand for the nine months ended 30 September 2023 and 2022, respectively, including the write-down of inventories loss to the net realizable value of NT\$65,568 thousand and NT\$35,726 thousand.

(4) No inventories were pledged.

7. Prepayments

	30 September 2023	31 December 2022	30 September 2022
Advances to vendors	\$79,534	\$44,488	\$39,969
Prepaid insurance	16,454	9,544	10,832
Prepaid rent	1,027	904	8,554
Prepaid inspection fee	14,408	32,970	5,698
Prepaid business tax	54,515	136,868	138,048
Prepaid income tax	210,701	4,465	4,369
Others	76,841	62,180	82,136
Total	<u>\$453,480</u>	<u>\$291,419</u>	<u>\$289,606</u>

8. Other current assets

	30 September 2023	31 December 2022	30 September 2022
Payment on behalf of others (Note)	\$76,183	\$51,593	\$46,484
Temporary payments	10,775	4,435	3,573
Others	44,326	11,068	917
Total	<u>\$131,284</u>	<u>\$67,096</u>	<u>\$50,974</u>

Note: Payment on behalf of others is mainly the payments for the purchases of materials on behalf of the Group's CDMO clients.

9. Property, plant and equipment

	Land	Buildings	Machinery equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Cost:										
1 January 2023	\$3,397,207	\$1,905,066	\$2,032,716	\$288,660	\$2,751	\$63,351	\$205,288	\$65,894	\$76,723	\$8,037,656
Addition	-	22,068	54,903	26,198	-	1,135	11,962	8,402	73,583	198,251
Disposals	-	(8,388)	(4,942)	(865)	-	(863)	-	(195)	-	(15,253)
Reclassification	-	3,991	35,101	1,689	-	(13,134)	8,397	15,417	(56,687)	(5,226)
Exchange differences	62,233	33,589	24,337	4,009	-	621	-	-	3,917	128,706
30 September 2023	<u>\$3,459,440</u>	<u>\$1,956,326</u>	<u>\$2,142,115</u>	<u>\$319,691</u>	<u>\$2,751</u>	<u>\$51,110</u>	<u>\$225,647</u>	<u>\$89,518</u>	<u>\$97,536</u>	<u>\$8,344,134</u>
1 January 2022	\$1,983,704	\$1,392,590	\$704,667	\$72,028	\$570	\$9,286	\$-	\$82,522	\$11,725	\$4,257,092
Addition	-	12,327	13,687	3,705	630	1,188	3,352	5,674	77,298	117,861
Acquisitions through business combinations	1,360,377	269,359	1,229,191	168,560	1,129	37,271	198,103	6,406	10,369	3,280,765
Disposals	-	(85)	(60)	-	-	-	-	(271)	-	(416)
Reclassification	-	11,370	6,562	-	-	6,986	-	(452)	(17,242)	7,224
Exchange differences	81,966	44,345	29,707	4,247	-	127	-	-	1,770	162,162
30 September 2022	<u>\$3,426,047</u>	<u>\$1,729,906</u>	<u>\$1,983,754</u>	<u>\$248,540</u>	<u>\$2,329</u>	<u>\$54,858</u>	<u>\$201,455</u>	<u>\$93,879</u>	<u>\$83,920</u>	<u>\$7,824,688</u>
Depreciation and impairment:										
1 January 2023	\$-	\$406,660	\$828,332	\$70,546	\$1,269	\$34,111	\$15,021	\$36,605	\$-	\$1,392,544
Depreciation	-	60,868	142,515	30,055	158	4,810	9,791	5,648	-	253,845
Disposals	-	(2,537)	(3,207)	(144)	-	(863)	-	(144)	-	(6,895)
Reclassification	-	-	31	(31)	-	(12,140)	-	12,140	-	-
Exchange differences	-	2,531	7,623	1,491	-	247	-	-	-	11,892
30 September 2023	<u>\$-</u>	<u>\$467,522</u>	<u>\$975,294</u>	<u>\$101,917</u>	<u>\$1,427</u>	<u>\$26,165</u>	<u>\$24,812</u>	<u>\$54,249</u>	<u>\$-</u>	<u>\$1,651,386</u>
1 January 2022	\$-	\$164,447	\$260,522	\$10,201	\$478	\$4,122	\$-	\$67,341	\$-	\$507,111
Depreciation	-	41,446	70,226	14,568	12	1,829	2,557	4,191	-	134,829
Acquisitions through business combinations	-	189,768	554,657	-	721	26,474	9,429	-	-	781,049
Disposals	-	(58)	(48)	-	-	-	-	(203)	-	(309)
Exchange differences	-	1,857	4,632	900	-	8	-	-	-	7,397
30 September 2022	<u>\$-</u>	<u>\$397,460</u>	<u>\$889,989</u>	<u>\$25,669</u>	<u>\$1,211</u>	<u>\$32,433</u>	<u>\$11,986</u>	<u>\$71,329</u>	<u>\$-</u>	<u>\$1,430,077</u>
Net carrying amount as of:										
30 September 2023	<u>\$3,459,440</u>	<u>\$1,488,804</u>	<u>\$1,166,821</u>	<u>\$217,774</u>	<u>\$1,324</u>	<u>\$24,945</u>	<u>\$200,835</u>	<u>\$35,269</u>	<u>\$97,536</u>	<u>\$6,692,748</u>
31 December 2022	<u>\$3,397,207</u>	<u>\$1,498,406</u>	<u>\$1,204,384</u>	<u>\$218,114</u>	<u>\$1,482</u>	<u>\$29,240</u>	<u>\$190,267</u>	<u>\$29,289</u>	<u>\$76,723</u>	<u>\$6,645,112</u>
30 September 2022	<u>\$3,426,047</u>	<u>\$1,332,446</u>	<u>\$1,093,765</u>	<u>\$222,871</u>	<u>\$1,118</u>	<u>\$22,425</u>	<u>\$189,469</u>	<u>\$22,550</u>	<u>\$83,920</u>	<u>\$6,394,611</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 nine months ended 30 September 2023 and 2022.
- (3) Please refer to Note VIII for more details on pledges of property, plant, and equipment.
- (4) Please refer to Note VI.10 for the investment properties disclosure for the building acquired by the Company in 2019 for business operation and a portion of that is held for lease and the remaining portion that is owner-occupied. Leasing portion were recognized as investment properties.

10. Investment properties

The Group's owns investment properties. The Group has entered into several commercial property leases on its owned investment properties with lease terms approximately between three to nine years. These leases include a clause for annual rate adjustment to reflect the change in market conditions.

	Buildings			
Cost:				
1 January 2023		\$19,449		
Additions		-		
30 September 2023		\$19,449		
1 January 2022		\$26,673		
Reclassification		(7,224)		
30 September 2022		\$19,449		
Depreciation and impairment:				
1 January 2023		\$1,823		
Depreciation		456		
30 September 2023		\$2,279		
1 January 2022		\$1,667		
Depreciation		569		
30 September 2022		\$2,236		
Net carrying amount as of:				
30 September 2023		\$17,170		
31 December 2022		\$17,626		
30 September 2022		\$17,213		
	Three months ended	Nine months ended		
	30 September	30 September		
	2023	2022	2023	
	2022	2023	2022	
Net income from investment properties	\$1,304	\$1,264	\$3,593	\$2,933

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

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties is NT\$54,405 thousand, NT\$54,405 thousand and NT\$73,714 thousand as of 30 September 2023, 31 December 2022 and 30 September 2022, respectively. The fair value has been determined based on valuations performed by an independent appraiser. The valuation methods applied are the income approach and comparison approach, and the related inputs are as follows:

Income approach:

	30 September 2023	31 December 2022	30 September 2022
Net income margin	\$110,269	\$110,269	\$108,262
Capitalization rate	2.07%	2.07%	2.07%

Comparison approach:

	30 September 2023	31 December 2022	30 September 2022
Regional factors	100%	100%	100%
Individual factors	90%-94%	90%-94%	91%-93.5%

11. Intangible assets

	Product distribution/ use right	Goodwill	Software	Drug license	Others	Total
Cost:						
1 January 2023	\$250,366	\$983,585	\$228,945	\$1,009,383	\$64,827	\$2,537,106
Addition	-	-	2,740	1,244,859	-	1,247,599
Reclassification	-	-	5,226	-	-	5,226
Disposals	(25,922)	-	(519)	-	-	(26,441)
Exchange differences	-	-	10,346	-	-	10,346
30 September 2023	<u>\$224,444</u>	<u>\$983,585</u>	<u>\$246,738</u>	<u>\$2,254,242</u>	<u>\$64,827</u>	<u>\$3,773,836</u>
1 January 2022	\$-	\$-	\$195,510	\$-	\$36,839	\$232,349
Addition	-	-	1,323	-	-	1,323
Acquisitions through business combinations	596,094	586,162	22,131	1,084,072	18,150	2,306,609
Exchange differences	-	-	13,008	-	-	13,008
30 September 2022	<u>\$596,094</u>	<u>\$586,162</u>	<u>\$231,972</u>	<u>\$1,084,072</u>	<u>\$54,989</u>	<u>\$2,553,289</u>
Amortization and impairment:						
1 January 2023	\$248,555	\$-	\$100,106	\$21,417	\$19,597	\$389,675
Amortization	1,204	-	31,502	59,801	19,838	112,345
Disposals	(25,922)	-	(519)	-	-	(26,441)
Exchange differences	-	-	4,797	-	-	4,797
30 September 2023	<u>\$223,837</u>	<u>\$-</u>	<u>\$135,886</u>	<u>\$81,218</u>	<u>\$39,435</u>	<u>\$480,376</u>
1 January 2022	\$-	\$-	\$41,829	\$-	\$19,475	\$61,304
Amortization	211	-	29,428	6,023	3,150	38,812
Acquisitions through business combinations	212,819	-	18,764	-	-	231,583
Exchange differences	-	-	2,592	-	-	2,592
30 September 2022	<u>\$213,030</u>	<u>\$-</u>	<u>\$92,613</u>	<u>\$6,023</u>	<u>\$22,625</u>	<u>\$334,291</u>

	Product distribution/ use right	Goodwill	Software	Drug license	Others	Total
Net carrying amount as of:						
30 September 2023	\$607	\$983,585	\$110,852	\$2,173,024	\$25,392	\$3,293,460
31 December 2022	\$1,811	\$983,585	\$128,839	\$987,966	\$45,230	\$2,147,431
30 September 2022	\$383,064	\$586,162	\$139,359	\$1,078,049	\$32,364	\$2,218,998

Amortization of intangible assets are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Amortization recognized in				
Operating costs	\$35,767	\$8,622	\$97,303	\$24,900
Operating expenses	\$9,271	\$8,908	\$15,042	\$13,912

In August 2023, the Group acquired six brand drug licenses and related product rights in the US from a third party at a total purchase price of US\$38,500 thousand (NT\$1,218,240 thousand, approximately). As of 30 September 2023, US\$3,850 thousand (NT\$124,240 thousand, approximately) has yet to be paid and was recognized as other payables.

12. Impairment testing of goodwill and intangible assets with indefinite lives

To reflect specific risks relating to cash-generating units, the Group had assessed for impairment of the recoverable amount of goodwill at the end of each year. This recoverable amount has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering a five-year period. As of 31 December 2022, the pre-tax discount rate applied to cash flow projections is 13.25%.

13. Short-term loans

	Interest rates (%)	30 September 2023	31 December 2022	30 September 2022
Unsecured bank loans	1.20%~2.40%	\$977,315	\$724,365	1,396,802
Secured bank loans	2.01%~2.23%	940,000	1,436,700	1,288,880
Total		\$1,917,315	\$2,161,065	\$2,685,682

Information related to the financial assets measured at amortized cost and property, plant and equipment pledged as collateral for the Group's short-term loans is disclosed in Note VIII.

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

	30 September 2023	31 December 2022	30 September 2022
Held for trading purpose:			
Derivatives not designated as hedging instruments – Forward foreign exchange agreements	\$-	\$501	\$-
Contingent consideration from business combination	1,732,610	1,623,181	1,248,689
Embedded derivative – Put Option on convertible bonds	9,010	-	3,040
Total	<u>\$1,741,620</u>	<u>\$1,623,682</u>	<u>\$1,251,729</u>
Current	<u>\$1,440,849</u>	<u>\$695,476</u>	<u>\$624,948</u>
Non-current	<u>\$300,771</u>	<u>\$928,206</u>	<u>\$626,781</u>

15. Other payables

	30 September 2023	31 December 2022	30 September 2022
Investments payable	\$193,620	\$521,538	\$520,355
Salaries payable	121,693	84,399	67,328
Employees' and directors' remuneration payable	157,136	94,268	31,598
Equipment payable	20,360	8,747	12,541
Bonus payable	138,383	208,595	156,210
Repair and maintenance payable	78,369	60,136	2,367
Professional service fees payable	34,033	54,076	11,018
Facility management fees payable	7,449	4,540	10,540
Business tax payable	26,000	74,438	1,726
Interests payable	1,430	2,767	4,225
Royalty fees payable	290,162	2,565,502	2,221,041
Intangible assets payables	124,240	-	-
Other payables	212,165	212,969	296,483
Total	<u>\$1,405,040</u>	<u>\$3,891,975</u>	<u>\$3,335,432</u>

16. Bonds payable

	30 September 2023	31 December 2022	30 September 2022
Liability component:			
Principal amount	\$1,723,700	\$708,000	\$800,000
(Discounts) on convertible bonds payable	(171,725)	(65,637)	(77,910)
Subtotal	<u>1,551,975</u>	<u>642,363</u>	<u>722,090</u>
Less: current portion	(21,838)	-	-
Net amount	<u>\$1,530,137</u>	<u>\$642,363</u>	<u>\$722,090</u>
Embedded derivative (shown as “Financial assets measured at fair value through profit or loss, non- current”)	<u>\$(8,740)</u>	<u>\$2,336</u>	<u>\$(3,040)</u>
Equity component	<u>\$394,868</u>	<u>\$83,791</u>	<u>\$94,679</u>

Please refer to Note VI.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:

- a. 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.
- b. 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.
- c. 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:

- a. Underlying Securities: Common shares of the Company
- b. 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.
- c. 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.
- d. Redemption on the Maturity Date: On the maturity date, the Company will redeem the bonds that remain outstanding at the principal amount.

As of 30 September 2023, NT\$776,300 thousand has converted to 2,683 thousands of common shares and 424 thousands of shared is recognized as advance receipts for ordinary share.

On 4 August 2023, the Company issued 3rd 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\$1,700,000 thousand

Period: 4 August 2023 ~ 4 August 2028

Important redemption clauses:

- a. 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.
- b. 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.
- c. 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 4 August 2026.

Terms of Exchange:

- a. Underlying Securities: Common shares of the Company
- b. Exchange Period: The bonds are exchangeable at any time on or after 5 November 2023 and prior to 4 August 2028 into common shares of the Company.
- c. Exchange Price and Adjustment: The exchange price was originally NT\$808 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.
- d. Redemption on the Maturity Date: On the maturity date, the Company will redeem the bonds that remain outstanding at the principal amount.

As of 30 September 2023, none of the bonds were converted to common shares.

17. Long-term loans

Details of long-term loans as of 30 September 2023, 31 December 2022 and 30 September 2022 are as follows:

Lenders	30 September 2023	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa secured bank loan (<i>Note 1</i>)	\$468,558	1.90%	From 23 December 2019 to 23 December 2034; 156 monthly instalments (principal and interests), starting from 23 January, 2022.
O-Bank unsecured bank loan (<i>Note 2</i>)	71,429	2.05%	From 29 November 2021 to 01 November 2024; 7 quarterly instalments (principal), starting from 01 May 2023.
CTBC unsecured bank loan	176,000	2.34%	From 17 June 2022 to 17 June 2027 ; 17 quarterly instalments (principal), starting from 17 June 2023.
CTBC secured bank loan (<i>Note 3</i>)	1,531,000	2.79%	From 27 June 2023 to 27 June 2026 ; Repayment of NT\$1,581,000 thousand by 31 December 2023 and 5 semi-annual instalments (principal), starting from 30 June 2024 for the remaining balance of NT\$1,000,000 thousand. Interests are paid on a monthly basis.
CTBC secured bank loan (<i>Note 4</i>)	70,000	2.33%	From 30 June 2020 to 30 September 2024; Quarterly instalments (principal) of NT\$17,500 thousand, from 30 September 2020 to the maturity date, 30 September 2024. Repay the remaining outstanding principal at maturity date with floating interest rate
CTBC secured bank loan	219,272	2.24%	From 28 April 2022 to 28 April 2025; Quarterly instalments (principal) of NT\$30,000 thousand, from 28 July 2022 to the maturity date, 30 June 2024. Repay the remaining outstanding principal at maturity date with floating interest rate
CTBC secured bank loan (<i>Note 5</i>)	211,326	6.60%	From 27 November 2022 to 27 November 2025 ; 12 quarterly instalments (principal and interests), starting from 27 February 2023.
Subtotal	2,747,585		
Less: unamortized issuance cost	(26,370)		
Subtotal	2,721,215		
Less: current portion	(1,194,649)		
Total	\$1,526,566		

Lenders	31 December 2022	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa secured bank loan (<i>Note 1</i>)	\$496,434	1.78%	From 23 December 2019 to 23 December 2034; 156 monthly instalments (principal and interests), starting from 23 January, 2022.
O-Bank unsecured bank loan (<i>Note 2</i>)	100,000	1.70%	From 29 November 2021 to 01 November 2024; 7 quarterly instalments (principal), starting from 01 May 2023.
CTBC unsecured bank loan	200,000	2.08%	From 17 June 2022 to 17 June 2027; 17 quarterly instalments (principal), starting from 17 June 2023.
CTBC syndicated bank loan (<i>Note 3</i>)	2,581,000	2.56%	From 30 September 2022 to 30 September 2027 ; 9 semi-annual instalments (principal), starting from 30 September 2023.
CTBC secured bank loan (<i>Note 4</i>)	105,000	2.20%	From 30 June 2020 to 30 September 2024; Quarterly instalments (principal) of NT\$17,500 thousand, from 30 September 2020 to the maturity date, 30 September 2024. Repay the remaining outstanding principal at maturity date with floating interest rate.
CTBC secured bank loan	309,273	2.11%	From 28 April 2022 to 28 April 2025; Quarterly instalments (principal) of NT\$30,000 thousand, from 28 July 2022 to the maturity date, 28 April 2025. Repay the remaining outstanding principal at maturity date with floating interest rate
CTBC secured bank loan (<i>Note 5</i>)	357,948	5.81%	From 27 November 2022 to 27 November 2025 ; 12 quarterly instalments (principal and interests), starting from 27 February 2023.
Subtotal	4,149,655		
Less: unamortized issuance cost	(29,554)		
Subtotal	4,120,101		
Less: current portion	(725,627)		
Total	\$3,394,474		

Lenders	30 September 2022	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa secured bank loans (<i>Note 1</i>)	505,745	1.53%	From 23 December 2019 to 23 December 2034; 156 monthly instalments (principal and interests), starting from 23 December 2021.
O-Bank unsecured bank loans(<i>Note 2</i>)	100,000	1.39%	From 29 November 2021 to 01 November 2024; 7 quarterly instalments (principal and interests), starting from 01 May 2023.
CTBC unsecured bank loan	200,000	1.73%	From 17 June 2022 to 17 June 2027; 17 quarterly instalments (principal), starting from 17 June 2023.
CTBC syndicated bank loan (<i>Note 3</i>)	3,000,000	2.17%	From 30 September 2022 to 30 September 2027 ; 9 semi-annual instalments (principal), starting from 30 September 2023. Interest is amortized on a monthly basis with a floating interest rate.
CTBC secured bank loan (<i>Note 4</i>)	122,500	1.87%	From 30 June 2020 to 30 September 2023; Quarterly instalments (principal) of NT\$17,500 thousand, from 30 September 2020 to the maturity date, 30 September 2023. Repay the remaining outstanding principal at maturity date with floating interest rate.
CTBC secured bank loans	339,273	1.78%	From 28 April 2022 to 28 April 2023; Quarterly instalments (principal) of NT\$30,000 thousand, from 28 July 2022 to the maturity date, 28 April 2023. Repay the remaining outstanding principal at maturity date with floating interest rate
CTBC syndicated bank loans	397,526	5.62%	From 27 November 2020 to 27 November 2025; 19 quarterly instalments (principal and interests), starting from 26 May 2021.
Subtotal	<u>4,665,044</u>		
Less: unamortized issuance cost	<u>(35,691)</u>		
Subtotal	4,629,353		
Less: current portion	<u>(702,726)</u>		
Total	<u><u>\$3,926,627</u></u>		

(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 entered into an unsecured loan agreement with O-Bank, amounted to NT\$100,000 thousand. During the term of the contract, the Group 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-annual basis starting from 31 December, 2023:

- 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, O-Bank has the right pursuant to covenants to take actions, including the steps below but not limited to:
 - a. All the outstanding amounts the borrower due to O-Bank become immediately due and payable.
 - b. All the contingent obligation and related cost incurred resulted from borrower or 3rd party's financing for the security of the bank loan shall be partially or fully paid.
 - c. The deposits the Borrowers maintain at the Banks and all of the Borrower's claims from the Banks shall offset with all the outstanding liabilities under the agreement.
 - d. Request the maker of the promissory note under the agreement to repay the outstanding liabilities.
 - e. 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.

(3) The Company entered into a Facility Agreement for the amount of NT\$2,581,000 thousand with CTBC Bank to replaces the original syndicated facility with 7 banks. The syndicated loan was pledged all the shares of TWi Pharmaceuticals, Inc. and was terminated in June 2023. Please refer to Note VIII for more details on pledges for the loan. During the term of the contract, the Group 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-annual basis starting from 31 December, 2023:

- 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, CTBC Bank 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 CTBC Bank (collectively, "Liabilities") to become immediately due and payable.
 - c. The deposits the Borrowers maintain at CTBC Bank and all of the Borrower's claims from CTBC Bank 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. 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.

- (4) The secured loan entered between Bora Pharmaceutical Laboratories Inc. (the “Borrower”) with CTBC Bank that expired in March 2021, has been extended to 30 September 2024, with a quarterly instalment of NT\$17,500 thousand. The original financial covenants had been lifted.
- (5) The Company’s subsidiary, Bora Pharmaceutical Services Inc. (the “Borrower”), entered into a secured loan agreement with CTBC Bank amounted to NT\$689,009 thousand (CAD\$30,789 thousand) which includes a term loan in the principal amount of NT\$ 357,948 thousand (CAD\$15,789 thousand) and a revolving loan facility in the amount of NT\$340,061 thousand (CAD \$15,000 thousand) with the pledges of real estates as mortgage. Please refer to Note VIII for more details on pledges for the loan. The contract term of the loan is from 27 November 2022 to 27 November 2025 with total available line of NT\$340,061 thousand (CAD\$15,000 thousand) as of 30 September, 2023. During the term of the agreement, the Borrower should be compiled with following financial covenants. The financial covenants shall be tested based on audited or reviewed financial statements on a semi-annual basis:
- ① The Borrower’s debt coverage ratio (EBITDA over the sum of interest expense and the current portion of long-term loans) shall not be less than 200%.
 - ② The Guarantor’s current ratio shall not be less than 120%.
 - ③ In the event that the Borrower violates the restriction defined in the contract, CTBC Bank has the right pursuant to covenants to take actions, including the steps below but not limited to:
 - a. Cease the unused loans in whole or in part.
 - 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. Exercise on behalf of itself and the lenders all rights and remedies available to it and the lenders under the loan agreement and applicable law.

There is no violation of the financial covenant at 30 September 2023.

18. Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three months ended 30 September 2023 and 2022 are NT\$24,086 thousand and NT\$17,343 thousand, respectively. Expenses under the defined contribution plan for the nine months ended 30 September 2023 and 2022 are NT\$67,405 thousand and NT\$44,475 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three months ended 30 September 2023 and 2022 are NT\$85 thousand and NT\$2,581 thousand, respectively. Expenses under the defined benefits plan for the nine months ended 30 September 2023 and 2022 are NT\$256 thousand and NT\$10,019 thousand, respectively. The current service cost recognized by the defined benefits plans of Bora Pharmaceutical Services Inc. was classified as labor and health insurances of personnel expenses, and the plan was cancelled in 2023.

19. Provisions

	Onerous contracts	Employee benefits	Total
1 January 2023	\$311,484	\$164,613	\$476,097
Arising during the period	-	2,981	2,981
Utilized	(80,775)	(13,696)	(94,471)
Cancellation	-	(12,567)	(12,567)
Exchange differences	13,723	7,210	20,933
30 September 2023	<u>\$244,432</u>	<u>\$148,541</u>	<u>\$392,973</u>
1 January 2022	\$397,980	\$154,206	\$552,186
Acquisitions through business combinations	-	3,880	3,880
Arising during the period	-	10,019	10,019
Utilized	(79,910)	(15,458)	(95,368)
Exchange differences	28,367	10,944	39,311
30 September 2022	<u>\$346,437</u>	<u>\$163,591</u>	<u>\$510,028</u>
Current – 30 September 2023	<u>\$111,939</u>	<u>\$28,634</u>	<u>\$140,573</u>
Non-current – 30 September 2023	<u>\$132,493</u>	<u>\$119,907</u>	<u>\$252,400</u>
Current – 31 December 2022	<u>\$106,177</u>	<u>\$28,204</u>	<u>\$134,381</u>
Non-current – 31 December 2022	<u>\$205,307</u>	<u>\$136,409</u>	<u>\$341,716</u>
Current – 30 September 2022	<u>\$108,756</u>	<u>\$19,868</u>	<u>\$128,624</u>
Non-current – 30 September 2022	<u>\$237,681</u>	<u>\$143,723</u>	<u>\$381,404</u>

Onerous contracts

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

Employee benefits

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

20. Equity

(1) Common stock

- ① As of 30 September 2023, 31 December 2022 and 30 September 2022, the Company's authorized capital was NT\$2,000,000, NT\$1,200,000, and NT\$1,200,000 thousand consisting of 200,000 thousand shares, 120,000 thousand shares and 120,000 thousand shares of ordinary stock with par value at NT\$10 per share, respectively. The outstanding shares amounted to NT\$1,008,308 thousand, NT\$753,815 thousand and NT\$753,815 thousand consisting of 100,831 thousand shares, 75,382 thousand shares and 75,382 thousand shares, respectively. Each share has one voting right and is entitled to receive dividends.

- ② In 2022, the Company's employee stock option holders have converted 510 thousand shares at the subscription price of NT \$65.4 per share and 4 thousand shares at NT\$140.3 per share. All the converted shares have completed the registration process.
- ③ 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 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.
- ④ 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\$3,067 thousand recognized in equity by bondholders. All the converted shares have completed the registration process on 10 April 2023.
- ⑤ For the nine months ended 30 September 2023, the company's 2nd convertible bond amounted to NT\$ 684,300 thousand had been converted to 2,376 thousand of ordinary shares with an amount of NT\$23,758 thousand recognized in equity by bondholders, of which 424 thousand shares amounted to NT\$4,242 thousand have not completed the registration process and were recognized as share capital - advance receipts for ordinary share at 30 September 2023.
- ⑥ For the nine months ended 30 September 2023, the company's employee stock option holders have converted 91 thousand shares at the subscription price from NT\$106.8 to NT\$150.4 per share, of which 45 thousand shares amounted to NT\$450 thousand have not completed the registration process. The converted shares that have not completed the registration process were recognized as share capital - advance receipts for ordinary share at 30 September 2023.
- ⑦ Capitalization of stock dividends in the amount of NT\$231,410 thousand with par value at NT\$10 per share was approved and 23,141 thousand common shares were authorized for issue by shareholders on 6 June 2023. The capital injection was approved by the Financial Supervisory Commission on 30 August 2023 and the amendment registration was completed.
- ⑧ As of 30 September 2023, there are 469 thousand shares amounted to NT\$4,692 thousand recognized as share capital - advance receipts for ordinary share.

(2) Capital surplus

	30 September 2023	31 December 2022	30 September 2022
Additional paid-in capital	\$914,354	\$896,503	\$895,727
Conversion premium from convertible bonds	883,453	179,574	88,282
Employee stock option	86,205	39,020	26,864
Treasury stock	35,315	35,315	35,315
Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired/disposed of	2,177	2,177	2,177
Increase (decrease) through changes in ownership interests in subsidiaries	48,270	-	-
Due to recognition of equity component of convertible bonds issued	394,868	83,791	94,679
Total	<u>\$2,364,642</u>	<u>\$1,236,380</u>	<u>\$1,143,044</u>

According to the R.O.C Company Act, the capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital surplus 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 nine months ended 30 September 2023: (Unit: thousand shares)

Cause	Beginning balance	Addition	Decrease	Ending balance
Transfer to employees	300	-	(2)	298

For the nine months ended 30 September 2022:

Cause	Beginning balance	Addition	Decrease	Ending balance
Transfer to employees	-	300	-	300

b. As of 30 September 2023, 31 December 2022 and 30 September 2022, the treasury stock held by the Company were NT\$52,738 thousand, NT\$53,092 thousand and NT\$53,092 thousand, respectively, and the number of treasury stock held by the Company was 298 thousand, 300 thousand and 300 thousand shares, respectively.

c. The treasury stock transferred by the Company to employees on 10 February 2023 was 2 thousand shares amounted to NT\$354 thousand.

(4) Retained earnings and dividend policies

According to the R.O.C Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order 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, is prepared by the Board of Directors and resolved in the shareholders' meeting.

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

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

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

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance: When a public company adopts for the first-time the IFRS, for any unrealized revaluation increment or cumulative translation adjustment (profit) accounted for under shareholders’ equity, if it is transferred to retained earnings because the Company chooses to apply an exemption under IFRS 1, the Company shall allocate the same amount respectively in special reserve. When there is subsequently any use, disposal, or reclassification of the relevant assets, the company may reverse and book for earnings distribution the corresponding proportion originally allocated to special reserve.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by shareholders’ meeting on 6 June 2023 and 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	619,134	238,802	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 and 2nd convertible bonds into ordinary shares.

Please refer to Note VI.25 for details on employees’ compensation and remuneration to directors.

(5) Non-controlling interests

	Nine months ended 30 September	
	2023	2022
Beginning balance	\$612,134	\$-
Profit attributable to non-controlling interests	24,312	5,244
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	28,230	576,380
Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired/disposed of	-	21,823
Acquisition through business combinations	-	1,004
Issuance of employee stock option by subsidiaries	3,500	987
Distribution of cash dividend by subsidiaries	(2,660)	-
Ending balance	<u>\$665,516</u>	<u>\$605,438</u>

21. Share-based payment plans

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

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

On 4 November 2020, 10 January 2022, and 17 May 2023, 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 eligible for the plan. The options are given to full-time employee that the optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

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

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

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

Date of grant	Total number of options granted (in thousand shares)	Exercise price per share (NT\$) (Note)
29 December 2020	275	\$106.8
13 August 2021	598	\$150.4
11 May 2022	477	\$109.3
31 August 2022	160	\$258.1
8 December 2022	345	\$295.0
19 September 2023	535	\$646.0

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

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

	2023		
Dividend yield (%)	-		
Expected volatility (%)	48.72% ~ 49.56%		
Risk-free interest rate (%)	1.081% ~ 1.123%		
Expected option life (Years)	3.5 ~ 4.5		
Weighted average share price (\$)	\$646		
Option pricing model	Black-Scholes option pricing model		
	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:

	Nine months ended 30 September			
	2023		2022	
	Number of options outstanding (in thousand shares)	Weighted average exercise price per share (NT\$)	Number of options outstanding (in thousand shares)	Weighted average exercise price per share (NT\$)
Outstanding, beginning	1,725	\$225.2	935	\$188.6
Granted	535	646.0	637	192.7
Forfeited	(50)	225.6	(62)	197.5
Exercised	(91)	126.4	(51)	65.4
Expired	-	-	(35)	65.4
Outstanding, ending	<u>2,119</u>	<u>\$291.9</u>	<u>1,424</u>	<u>\$184.9</u>
Exercisable, ending	<u>104</u>	-	-	-

The information on the outstanding stock options as of 30 September 2023 and 2022, is as follows:

	Range of exercise price per share	Weighted average remaining contractual life (Years)
As of 30 September 2023		
Options outstanding	\$106.8~646.0	1.41~4.02
As of 30 September 2022		
Options outstanding	\$140.3~339	2.29~3.16

(2) Share-based payment plan of Bora Biologics Co., Ltd.

On 1 July 2022, Bora Biologics Co., Ltd. (the “Bora Bio”) was authorized by the board of director’s meeting to issue employee share options with a total number of 6,000 unit. Each unit entitles an optionee to subscribe for 1,000 shares of Bora Biologics Co., Ltd.’s common shares. The exercise price of the option was set at NT\$28 of Bora Bio’s common share on the grant date. Only the full-time employees of Bora Bio are eligible for the plan. The options are given to full-time employee that the optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 1 years from the grant date. Settlement upon the exercise of the options will be made through the issuance of new shares by Bora Bio.

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

The contractual terms of each option granted are 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 options granted (in thousand shares)	Exercise price per share (NT\$) (Note)
1 July 2022	3,780	\$28
25 July 2022	150	\$28
20 December 2022	1,257	\$28
15 May 2023	96	\$28

Note: Except for various securities issued by Bora Bio 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 Bora Bio (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 exercise price shall be adjusted in accordance with Bora Bio's plan.

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

	2022		
Dividend yield (%)	-	-	-
Expected volatility (%)	51%~57.49%	50.25%~54.64%	50.25%~54.64%
Risk-free interest rate (%)	1.057% ~ 1.105%	0.918% ~ 1.026%	0.918% ~ 1.026%
Expected option life (Years)	3.0 ~ 4.5	3.0 ~ 4.5	3.0 ~ 4.5
Weighted average share price (\$)	\$28	\$28	\$28
Option pricing model	Black-Scholes option pricing model	Black-Scholes option pricing model	Black-Scholes option pricing model
	2023		
Dividend yield (%)	-		
Expected volatility (%)	51% ~ 57.49%		
Risk-free interest rate (%)	1.057% ~ 1.105%		
Expected option life (Years)	3.0 ~ 4.5		
Weighted average share price (\$)	\$28		
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:

	Nine months ended 30 September			
	2023		2022	
	Number of options outstanding (in thousand shares)	Weighted average exercise price per share (NT\$)	Number of options outstanding (in thousand shares)	Weighted average exercise price per share (NT\$)
Outstanding, beginning	5,187	\$28	-	\$-
Granted	96	28	3,930	28
Forfeited	(297)	28	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding, ending	<u>4,986</u>	\$28	<u>3,930</u>	\$28
Exercisable, ending	<u>878</u>	-	<u>-</u>	-

The information on the outstanding stock options as of 30 September 2023 and 2022, is as follows:

	Range of exercise price per share	Weighted average remaining contractual life (Years)
As of 30 September 2023		
Options outstanding	\$28	2.53~2.93
As of 30 September 2022		
Options outstanding	\$28	3.5

(3) Share-based payment plan of TWi Pharmaceuticals, Inc.

On 20 December 2022, TWi Pharmaceuticals, Inc. (the “TWi”) was authorized by the board of director’s meeting to issue employee share options with a total number of 3,000 unit. Each unit entitles an optionee to subscribe for 1,000 shares of TWi’s common shares. The exercise price of the option was set at NT\$104 of TWi’s common share on the grant date. Only full-time employees of TWi and its controlling and affiliated companies are eligible for the plan. The options are given to full-time employee that the optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Settlement upon the exercise of the options will be made through the issuance of new shares by TWi. The fair value of the stock options is estimated at the grant date using Market Approach and Income Approach, taking into account the terms and conditions upon which the share options were granted.

The contractual terms of each option granted are four 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 options granted (in thousand shares)	Exercise price per share (NT\$) (Note)
1 January 2023	1,309	\$57
1 February 2023	565	\$57

Note: Except for various securities issued by TWi 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 TWi (including private placement, issuance of common stock for cash, stock dividends, capital surplus reserve to capital increase, combination, company split, transfer of shares of other companies, stock split and issuance of common stock for cash to participate in the issuance of overseas depositary receipts, etc.), the exercise price shall be adjusted in accordance with TWi's plan.

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

	2023	
Dividend yield (%)	-	-
Expected volatility (%)	33.06%~32.76%	33.06%~32.76%
Risk-free interest rate (%)	1.1503% ~ 1.1506%	1.1503% ~ 1.1506%
Expected option life (Years)	3.73~ 3.88	3.73~ 3.88
Weighted average share price (\$)	\$104	\$104
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:

	Nine months ended 30 September			
	2023		2022	
	Number of options outstanding (in thousand shares)	Weighted average exercise price per share (NT\$)	Number of options outstanding (in thousand shares)	Weighted average exercise price per share (NT\$)
Outstanding, beginning	-	\$-	-	\$-
Granted	1,874	95.0	-	-
Forfeited	(140)	57.4	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding, ending	<u>1,734</u>	<u>\$57.4</u>	<u>-</u>	<u>\$-</u>
Exercisable, ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The information on the outstanding stock options as of 30 September 2023 and 2022, is as follows:

	<u>Range of exercise price per share</u>	<u>Weighted average remaining contractual life (Years)</u>
As of 30 September 2023		
Options outstanding	\$57.4	3.25
As of 30 September 2022		
Options outstanding	None	None

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

No modification or cancellation of share-based payment plan has occurred for the nine months ended 30 September 2023 and 2022.

(6) The expense recognized for employee services received during the nine months ended 30 September 2023 and 2022, is shown in the following table:

	<u>Three months ended 30 September</u>		<u>Nine months ended 30 September</u>	
	2023	2022	2023	2022
Total expense arising from equity-settled share-based payment transactions	<u>\$17,651</u>	<u>\$10,304</u>	<u>\$56,399</u>	<u>\$18,365</u>

22. Operating revenue

Analysis of revenue from contracts with customers for the nine months ended 30 September 2023 and 2022 are as follows:

(1) Disaggregation of revenue

	<u>Three months ended 30 September</u>		<u>Nine months ended 30 September</u>	
	2023	2022	2023	2022
Revenue from contracts with customers				
Sales of goods	\$1,795,257	\$1,523,747	\$7,293,999	\$1,771,091
CDMO – services and manufacturing	1,278,502	\$1,198,768	3,695,162	\$3,417,983
Others	1,622	1,621	5,317	6,947
Total	<u>\$3,075,381</u>	<u>\$2,724,136</u>	<u>\$10,994,478</u>	<u>\$5,196,021</u>
	<u>Three months ended 30 September</u>		<u>Nine months ended 30 September</u>	
	2023	2022	2023	2022
Timing of revenue recognition:				
At a point in time	\$2,966,567	\$2,643,626	\$10,675,373	\$5,115,511
Over time	108,814	80,510	319,105	80,510
Total	<u>3,075,381</u>	<u>\$2,724,136</u>	<u>\$10,994,478</u>	<u>\$5,196,021</u>

(2) Contract assets – current

	<u>30 September 2023</u>	<u>31 December 2022</u>	<u>30 September 2022</u>
CDMO – services and manufacturing	<u>\$25,720</u>	<u>\$35,197</u>	<u>\$33,317</u>

The major changes in the Group's balances of contract assets for the nine months ended 30 September 2023 are mainly due to the stage of completion assessed in accordance with the terms of the contracts, and the major changes in the balances of contract assets for the nine months ended 30 September 2022 are mainly due to business combinations and the stage of completion assessed in accordance with the terms of the contracts.

(3) Contract liabilities

	30 September 2023	31 December 2022	30 September 2022
Sales of goods	\$33,613	\$14,866	\$30,324
CDMO – services and manufacturing	134,472	75,010	70,036
Others	12,578	-	-
Total	<u>\$ 180,663</u>	<u>\$89,876</u>	<u>\$100,360</u>
Current	<u>\$ 180,663</u>	<u>\$85,692</u>	<u>\$96,176</u>
Non-current	<u>\$-</u>	<u>\$4,184</u>	<u>\$4,184</u>

The major changes in the Group's balances of contract liabilities for the nine months ended 30 September 2023 are mainly due to the increase in advance receipts, and the major changes in the balances of contract liabilities for the nine months ended 30 September 2022 are mainly due to business combinations and the increase in advance receipts.

(4) The changes in the refund liabilities are as follows:

	<u>Sales allowance and discount</u>
Balance as of 1 January 2023	\$2,023,565
Addition/(reversal)	7,026,408
Payment	(7,183,695)
Exchange differences	94,424
Balance as of 30 September 2023	<u>\$1,960,702</u>
Balance as of 1 January 2022	\$65,372
Business combinations	1,794,855
Addition/(reversal)	391,944
Balance as of 30 September 2022	<u>\$2,252,171</u>

Refund liabilities represents the estimated sales discounts and allowance.

23. Expected credit losses/ (gains)

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
Operating expenses – expected credit losses/(gains)				
Accounts receivable	\$990	\$-	\$2,261	\$(616)
Other receivables	-	-	(341)	-
Total	\$990	\$-	\$1,920	\$(616)

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

Provisions for receivables, including notes receivable including related party and accounts receivable including related party are estimated at an amount equal to lifetime expected credit losses. The relevant explanation in the evaluation to the amount of provisions as at 30 September 2023, 31 December 2022 and 30 September 2022 is as follows:

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

As of 30 September 2023

Group 1	Overdue						Total
	Not past due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross	\$3,033,328	\$73,254	\$16,484	\$25,212	\$483	\$1,962	\$3,150,723
Loss rate	0%	0%	0%	0%	0%	0%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Net	\$3,033,328	\$73,254	\$16,484	\$25,212	\$483	\$1,962	\$3,150,723
Group 2	Overdue						Total
	Not past due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross	\$655,299	\$38,470	\$17,616	\$769	\$924	\$11,960	\$725,038
Loss rate	0%	0%~ 100%	0.03%~ 100%	36.18%~ 100%	52.93%~ 100%	68%~ 100%	
Lifetime expected credit losses	-	(84)	(318)	(234)	(492)	(11,957)	(13,085)
Net	\$655,299	\$38,386	\$17,298	\$535	\$432	\$3	\$711,953
Receivables, net							<u>\$3,862,676</u>

As of 31 December 2022

Group 1	Overdue						Total
	Not past due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross	\$4,747,357	\$260,617	\$166,241	\$1,476	\$1,182	\$3,779	\$5,180,652
Loss rate	0%	0%	0%	0%	0%	0%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Net	\$4,747,357	\$260,617	\$166,241	\$1,476	\$1,182	\$3,779	\$5,180,652

Group 2	Overdue						Total
	Not past due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross	\$799,115	\$14,015	\$26,365	\$34,343,	\$474	\$40,300	\$914,612
Loss rate	0.01%~ 1.85%	7.23%~ 100%	0.01%~ 100%	0.01%~ 100%		16.79%~ 100%	
Lifetime expected credit losses	(591)	(1,013)	(1,326)	(143)	(474)	(6,767)	(10,314)
Net	\$798,524	\$13,002	\$25,039	\$34,200	\$-	\$33,533	\$904,298
Receivables, net							<u>\$6,084,950</u>

As of 30 September 2022

Group 1	Overdue						Total
	Not past due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross	\$562,901	\$7,043	\$43,895	\$1,059	\$1,894	\$154	\$616,946
Loss rate	0%	0%	0%	0%	0%	0%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Net	\$562,901	\$7,043	\$43,895	\$1,059	\$1,894	\$154	\$616,946

Group 2	Overdue						Total
	Not past due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross	\$4,944,586	\$177,092	\$28,863	\$4,138	\$1,107	\$1,246	\$5,157,032
Loss rate	0.06%	0%	0%	0%	0%	66%	
Lifetime expected credit losses	(2,890)	-	-	-	-	(892)	(3,782)
Net	\$4,941,696	177,092	28,863	4,138	1,107	354	\$5,153,250
Receivables, net							<u>\$5,770,196</u>

None of the notes receivable are due as of 30 September, 2023, 31 December, 2022, and 30 September, 2022

The movement of loss allowance for accounts receivable for the nine months ended 30 September 2023 and 2022 is as follows:

	Accounts receivable	Contract assets
Balance as of 1 January 2023	\$10,314	\$-
Provision/(reversal)	2,261	-
Exchange differences	510	-
Balance as of 30 September 2023	<u>\$13,085</u>	<u>\$-</u>
Balance as of 1 January 2022	\$2,294	\$-
Business combinations	2,104	-
Provision/(reversal)	(616)	-
Balance as of 30 September 2022	<u>\$3,782</u>	<u>\$-</u>

24. Leases

(1) Group as a lessee

The Group leases various properties, including real estate such as land and buildings and transportation equipment. The lease terms range from 3 to 20 years. The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the consolidated balance sheets

(a) Right-of-use assets

The carrying amount of right-of-use assets

	30 September 2023	31 December 2022	30 September 2022
Land	\$283,126	\$294,523	\$296,419
Buildings	313,223	352,710	329,649
Transportation equipment	5,574	7,963	8,972
Total	<u>\$601,923</u>	<u>\$655,196</u>	<u>\$635,040</u>

During the nine month ended 30 September 2023, the Group's additions to right-of-use assets from acquisitions amounting to NT\$264 thousand.

During the nine month ended 30 September 2022, the Group's additions to right-of-use assets from acquisitions amounting to NT\$130,702 thousand and through business combinations amounting to NT\$205,428 thousand, respectively.

(b) Lease liabilities

	30 September 2023	31 December 2022	30 September 2022
Lease liabilities	<u>\$621,479</u>	<u>\$672,186</u>	<u>\$651,257</u>
Current	<u>\$87,204</u>	<u>\$75,307</u>	<u>\$66,842</u>
Non-current	<u>\$534,275</u>	<u>\$596,879</u>	<u>\$584,415</u>

Please refer to Note VI.26 for the interest on lease liabilities recognized and refer to Note XII.5 for more details on the liquidity risk management analysis for lease liabilities during the nine months ended 30 September 2023 and 2022.

B. Amounts recognized in the consolidated statements of comprehensive income

Depreciation charge for right-of-use assets

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Land	\$3,799	\$2,823	\$11,397	\$7,584
Buildings	13,834	6,961	41,250	11,633
Transportation equipment	1,021	739	2,715	1,384
Total	<u>\$18,654</u>	<u>\$10,523</u>	<u>\$55,362</u>	<u>\$20,601</u>

C. Income and costs relating to leasing activities

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Expenses relating to short-term leases	\$1,067	\$477	\$3,454	\$1,388
Expenses relating to leases of low-value assets (Exclude expenses relating to short-term leases of low-value assets)	655	971	1,782	1,267

D. Cash outflow relating to leasing activities

During the nine months ended 30 September 2023 and 2022, the Group's total cash outflows for leases amounted to NT\$67,110 thousand and NT\$27,398 thousand, respectively.

(2) Group as a lessor

Please refer to Note VI.10 for disclosures of the Company 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.

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Lease income from operating leases				
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$2,270	\$2,254	\$6,824	\$6,831

Please refer to Note VI.10 for the disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years at 30 September 2023, 31 December 2022 and 30 September 2022 are as follow:

	30 September 2023	31 December 2022	30 September 2022
Not later than one year	\$8,603	\$8,886	\$8,948
Later than one year but not later than two years	8,571	8,571	8,603
Later than two years but not later than three years	8,571	8,571	8,571
Later than three years but not later than four years	8,571	8,571	8,571
Later than four years but not later than five years	7,914	8,571	8,571
Later than five years	1,486	7,257	9,400
Total	\$43,716	\$50,427	\$52,664

25. Summary statement of employee benefits, depreciation and amortization expenses by function are as follows:

Function Character	Three months ended 30 September					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense:						
Wages and salaries	\$330,876	\$112,433	\$443,309	\$288,889	\$161,584	\$450,473
Labor and health insurance	26,257	12,510	38,767	32,476	5,523	37,999
Pension costs	20,457	3,714	24,171	13,715	3,628	17,343
Other employee benefits expense	12,301	9,819	22,120	10,114	3,196	13,310
Depreciation	91,704	13,832	105,536	61,468	10,352	71,820
Amortization	35,767	9,271	45,038	8,622	8,908	17,530

Function Character	Nine months ended 30 September					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense:						
Wages and salaries	\$973,479	\$480,279	\$1,453,758	\$716,765	\$285,449	\$1,002,214
Labor and health insurance	74,224	37,417	111,641	65,701	9,978	75,679
Pension costs	52,072	15,589	67,661	35,238	9,237	44,475
Other employee benefits expense	55,155	27,561	82,716	66,531	16,014	82,545
Depreciation	270,723	38,940	309,663	137,254	18,745	155,999
Amortization	97,303	15,042	112,345	24,900	13,912	38,812

According to the Articles of Incorporation of the Company, no less than 2% of profit of the current year shall be distributable as employees' compensation and no higher than 5% of profit of the current year shall be distributable as remuneration to directors. 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 reported such distribution in 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 for the three months ended 30 September 2023 to be NT\$16,272 thousand and NT\$8,151 thousand, respectively. The aforementioned amounts were recognized as employee benefits expense. The Company estimated the amounts of the employees' compensation and remuneration to directors for the three months ended 30 September 2022 to be NT\$9,878 thousand and NT\$4,938 thousand, respectively.

The Company estimated the amounts of the employees' compensation and remuneration to directors for the nine months ended 30 September 2023 to be NT\$51,767 thousand and NT\$25,883 thousand, respectively. The aforementioned amounts were recognized as employee benefits expense. The Company estimated the amounts of the employees' compensation and remuneration to directors for the nine months ended 30 September 2022 to be NT\$19,955 thousand and NT\$9,977 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.

26. Non-operating income and expenses

(1) Other revenue

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Interest income	\$12,691	\$2,683	\$44,003	\$3,024
Others	5,330	5,013	27,618	11,690
Total	<u>\$18,021</u>	<u>\$7,696</u>	<u>\$71,621</u>	<u>\$14,714</u>

(2) Other gains and losses

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
(Losses) on disposal of property, plant and equipment	\$(4,380)	\$(2)	\$(4,987)	\$(99)
Foreign exchange gains	123,984	161,240	156,089	180,000
Gains (Losses) on financial assets at fair value through profit or loss (Note 1)	(396,647)	1,803	(819,301)	1,522
Others gains (losses)	4,345	(831)	(58)	(833)
Total	<u>\$(272,698)</u>	<u>\$162,210</u>	<u>\$(668,257)</u>	<u>\$180,590</u>

Note 1: Primarily resulted from the changes in fair value of contingent consideration after the acquisition date in accordance with the agreement entered with the sellers of Eden Biologics, Inc. and TWi Pharmaceuticals, Inc. and its subsidiaries (the "TWi Group"). The fair value of contingent considerations was determined using the discounted cash flow model and was recognized as financial liabilities at the acquisition date. If the amount of contingent consideration changes subsequent to the acquisition date, gains and losses are recognized as (losses) or gains on financial assets at fair value through profit or loss. Please refer to Note VI.30 for more details.

(3) Financial costs

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Interest expenses from bank borrowings	\$32,832	\$28,929	\$114,325	\$50,317
Interest expenses from bonds payable	5,619	81	8,343	81
Interest expenses from lease liabilities	2,946	2,198	8,954	5,139
Others	5	-	564	-
Total	<u>\$41,402</u>	<u>\$31,208</u>	<u>\$132,186</u>	<u>\$55,537</u>

27. Components of other comprehensive income (“OCI”)

Three months ended 30 September 2023

	Arising	Reclassification	before tax	Tax (Expense)	Net of tax
Not to be reclassified to profit or loss:					
Remeasurement of the defined benefit plan	\$-	\$-	\$-	\$-	\$-
To be reclassified to profit or loss in subsequent periods:					
Translation differences of foreign operations	123,450	-	123,450	(24,690)	98,760
Total comprehensive income	<u>\$123,450</u>	<u>\$-</u>	<u>\$123,450</u>	<u>\$(24,690)</u>	<u>\$98,760</u>

Nine months ended 30 September 2023

	Arising	Reclassification	before tax	Tax (Expense)	Net of tax
Not to be reclassified to profit or loss:					
Remeasurement of the defined benefit plan	\$(11,571)	\$-	\$(11,571)	\$3,067	\$(8,504)
To be reclassified to profit or loss in subsequent periods:					
Translation differences of foreign operations	247,930	-	247,930	(49,586)	198,344
Total comprehensive income	<u>\$236,359</u>	<u>\$-</u>	<u>\$236,359</u>	<u>\$(46,519)</u>	<u>\$189,840</u>

Three months ended 30 September 2022

	Arising	Reclassification	before tax	Tax (Expense)	Net of tax
To be reclassified to profit or loss in subsequent periods:					
Translation differences of foreign operations	\$49,963	\$-	\$49,963	\$(9,993)	\$39,970

Nine months ended 30 September 2022

	Arising	Reclassification	before tax	Tax (Expense)	Net of tax
To be reclassified to profit or loss in subsequent periods:					
Translation differences of foreign operations	\$153,073	\$-	\$153,073	\$(30,614)	\$122,459

28. Income tax

The major components of income tax expense (income) for the three months and nine months ended 30 September 2023 and 2022 are as follows:

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
Current income tax expense (income):				
Current income tax expense	\$657,517	\$209,271	\$1,367,772	\$371,427
Adjustments in respect of prior periods	3,205	-	11,801	(92)
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	(443,794)	52,906	(631,826)	90,747
Deferred tax expense (income) relating to origination and (reversal) of tax loss and tax credit	(38,663)	(54,275)	147,895	(51,256)
Total income tax expense	<u>\$178,265</u>	<u>\$207,902</u>	<u>\$895,642</u>	<u>\$410,826</u>

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
Deferred tax expense (income):				
Translation differences of foreign operations	\$24,690	\$9,993	\$49,586	\$30,614
Remeasurement of the defined benefit plan	-	-	(3,067)	-
Income tax relating to other comprehensive income	<u>\$24,690</u>	<u>\$9,993</u>	<u>\$46,519</u>	<u>\$30,614</u>

(3) The assessment of income tax returns

As of 30 September 2023, the assessment of the income tax returns of the Company and its subsidiaries are as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2020
Union Chemical & Pharmaceutical Co., Ltd.	Assessed and approved up to 2021
Bora Health Inc.	Assessed and approved up to 2021
Bora Pharmaceutical Laboratories Inc.	Assessed and approved up to 2020
TWi Pharmaceuticals, Inc.	Assessed and approved up to 2021 (Note1)
Bora Pharmaceuticals Ophthalmic Inc.	Assessed and approved up to 2021
Bora Biologics Co., Ltd.	Assessed and approved up to 2021
Bora Pharmaceutical and Consumer Health Inc.	(Note 2)
Bora Management Consulting Co., Ltd.	Assessed and approved up to 2021

Note 1: 2020 income tax return has not assessed and approved.

Note 2: Bora Pharmaceutical and Consumer Health Inc. was set up in June 2022. 2022 initial year tax returned has not assessed and approved at 30 September 2023.

29. Earnings per share

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
(1) Basic earnings per share				
Profit attributable to ordinary shareholders of the Company (in thousand NT\$)	<u>\$733,168</u>	<u>\$568,882</u>	<u>\$2,464,535</u>	<u>\$988,047</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	<u>100,680</u>	<u>97,524</u>	<u>100,081</u>	<u>97,624</u>
Basic earnings per share (NT\$)	<u>\$7.28</u>	<u>\$5.83</u>	<u>\$24.63</u>	<u>\$10.12</u>
	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
(2) Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company (in thousand NT\$)	\$733,168	\$568,882	\$2,464,535	\$988,047
Interest expense from convertible bonds (in thousand NT\$)	<u>4,495</u>	<u>65</u>	<u>6,674</u>	<u>65</u>
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	<u>\$737,663</u>	<u>\$568,947</u>	<u>\$2,471,209</u>	<u>\$988,112</u>
Weighted average number of ordinary share: outstanding for basic earnings per share (in thousand shares)	100,680	97,524	100,081	97,624
Effect of dilution:				
Employee compensation-stock (in thousand shares)	81	60	95	89
Employee stock options (in thousand shares)	1,120	157	1,120	157
Bonds payable (in thousand shares)	<u>1,429</u>	<u>87</u>	<u>1,210</u>	<u>29</u>
Weighted average number of ordinary share: outstanding after dilution (in thousand shares)	<u>103,310</u>	<u>97,828</u>	<u>102,506</u>	<u>97,899</u>
Diluted earnings per share (NT\$)	<u>\$7.14</u>	<u>\$5.82</u>	<u>\$24.11</u>	<u>\$10.09</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the consolidated financial statements were authorized for issue.

30. Business combinations

Acquisition of the CDMO Business and asset of Eden Biologics, Inc.

The Company's subsidiary, Bora Biologics Co., Ltd, (the "Bora Bio") acquired Eden Biologics, Inc.'s (the "Eden Bio") business assets and CDMO business in Hsinchu Science Park located at No. 18, Shengyi 2nd Rd., Zhubei City, Hsinchu County, Taiwan on 1 July 2022. The purpose for the acquisition is to expand into biologic macromolecular CDMO business and rapidly build a presence in the biological macromolecules and cell and gene therapy markets.

The fair values of the identifiable assets and liabilities acquired from Eden Biologics, Inc. at the acquisition date were:

	<u>Fair value recognized on the acquisition date</u>
Property, plant and equipment:	
Machinery and equipment	\$175,042
Testing equipment	169,083
Leasehold improvements	169,307
Others	7,541
Subtotal	<u>520,973</u>
Intangible assets	31,835
Others assets	9,513
Identifiable net assets at fair value	<u>\$562,322</u>
Goodwill is as follows:	
Purchase consideration	\$1,491,203
Less: identifiable net assets at fair value	<u>(562,322)</u>
Goodwill	<u>\$928,881</u>
<u>Acquisition consideration</u>	
Cash	\$1,432,552
Other payables	58,619
Contingent consideration (shown as "Financial liabilities measured at fair value through profit or loss, current")	32
Total consideration	<u>\$1,419,203</u>
Analysis of cash flows on acquisition:	
Net cash flow on acquisition	<u>\$(1,432,552)</u>

Intangible assets include outstanding contracts and computer software amortized on a straight-line basis over the estimated economic lives.

The holdback of US\$2,000 thousand (NT\$62,280 thousand, approximately) was recognized as other payables at closing and fully paid in July 2023.

Contingent considerations

As part of the asset purchase agreement, Bora Bio shall make an additional purchase price to Eden Bio within one month after the first anniversary of the acquisition date, in the event that the target revenue (the “Target Revenue”) is achieved as follows:

- (1) if the Target Revenue has reach US\$12,000 thousand for the first year after the acquisition date, the additional purchase price shall be US\$10,000 thousand; or
- (2) if the Target Revenue has reach US\$20,000 thousand for the first year after the acquisition date, the additional purchase price shall be US\$15,000 thousand;

The calculation of Target Revenue shall exclude:

- (1) the revenue attributable to the existing CDMO Business Contracts that have accrued and or been realized as of the acquisition date, provided that the foregoing shall be pro-rated and provided further that non-realized revenue shall not be excluded;
- (2) the revenue attributable to the biosimilar work submitted by Eden Bio’s Group’s purchase orders in accordance with the Development, Manufacturing, Supply of Product and Associate Service Agreement (the “MSA”) with Eden Bio;
- (3) the revenue attributable to CDMO Business Contracts acquired as the sole result of the Bora Bio’s or the Group’s business development activities; and
- (4) the values of materials and components incorporated in the products and being passed through (after deducting any and all applicable markups, if any) to customers of the CDMO Business in relation to any CDMO Business Contracts.

The contingent consideration was evaluated in terms of the achievement of operating performance in the target business for one year from 1 July 2022. The operating performance from 1 July 2022 to 30 June 2023 did not meet the threshold of target revenue, no additional consideration was paid for the acquisition as of 30 September 2023.

Acquisition of TWi Pharmaceuticals, Inc. and its subsidiaries (the “TWi Group”)

On 1 September 2022, the Company acquired 100% of the voting shares of TWi Pharmaceuticals, Inc. located at No. 41, Ln. 221, Gangqian Rd., Neihu Dist., Taipei City, Taiwan. The purpose for the acquisition is to conduct strategic integration, enlarge the production capacity, enhance cost advantages, expand market share, and improve competitiveness.

The fair values of the identifiable assets and liabilities of TWi Group as at the acquisition date were as follows:

	<u>Fair value recognized on the acquisition date</u>
Asset:	
Cash and cash equivalents	\$786,578
Financial assets at amortized cost - current	598,961
Accounts receivable	3,776,212
Other receivables	1,715
Inventories	1,132,578
Prepayments	103,899
Intangible assets	1,015,248
Property, plant and equipment	2,339,229
Right-of-use assets	205,428
Deferred tax assets	728,485
Refundable deposits	8,563
Other non-current assets	70,253
Subtotal	<u>10,767,149</u>
Liabilities	
Short-term loans	\$720,000
Notes payable	455
Accounts payable	116,844
Other payables	1,481,255
Income tax payable	41,203
Deferred tax liabilities	97,835
Refund liabilities	1,794,855
Lease liabilities - current	39,513
Contract liabilities	8,174
Lease liabilities - non-current	174,191
Provisions	3,880
Other non-current liabilities	67,975
Non-controlling interests	1,004
Subtotal	<u>4,547,184</u>
Identifiable net assets	<u>\$6,219,965</u>
Goodwill is as follows:	
Purchase considerations	\$6,274,670
Less: identifiable net assets at fair value	<u>(6,219,965)</u>
Goodwill	<u>\$54,705</u>

Acquisition considerations

Cash	\$3,853,261
Other payables	862,473
Contingent consideration (shown as “Financial liabilities measured at fair value through profit or loss”)	1,558,936
Total consideration	<u>\$6,274,670</u>
Analysis of cash flows on acquisition:	
Cash	\$(6,274,670)
Other payables	862,473
Contingent consideration (shown as “Financial liabilities measured at fair value through profit or loss”)	1,558,936
Net cash acquired through acquisition	786,578
Net cash flow on acquisition	<u>\$(3,066,683)</u>

The fair value of accounts receivable was NT\$3,776,212 thousand in which no impairment loss was occurred as default risk is low.

Intangible assets include drug licenses, product distribution or use right, and software amortized on a straight-line basis over the estimated economic lives.

The unpaid purchase considerations, including a holdback of US\$28,250 thousand. As of 30 September 2023, US\$15,000 thousand was paid and outstanding balance of US\$13,250 thousand (NT\$427,578 thousand, approximately) was recognized as other payables and other non-current liabilities.

Contingent considerations

As part of the share purchase agreement, the Company agrees to pay a contingent earn-out consideration over the three years based on an agreed percentage of audited consolidated operating income after tax of TWi Group from 2022 to 2024.

The fair value of contingent considerations was determined using the discounted cash flow model. Please refer to Note XII. 9 for the Information on significant unobservable inputs to valuation.

Subsequent the acquisition date, the performance of TWi Group is better than the estimated performance at acquisition date. As of 30 September 2023, the Company paid earn-out consideration for year 2022 at the amount of US\$25,201 thousand (NT\$770,684 thousand approximately). The estimated fair value of the contingent considerations for year 2023 and 2024 was US\$53,691 thousand (NT\$1,732,610 thousand approximately) and was recognized as financial liabilities measured at fair value through profit or loss, current and financial liabilities measured at fair value through profit or loss, non-current. Please refer to Note XII. 9 for the reconciliation of contingent considerations.

VII. Related Party Transactions

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

Name and nature of relationship of the related party

Name of the related parties	Nature of relationship of the related parties
Hoan Pharmaceuticals, Ltd.	Substantive related party

Significant transactions with the related parties

1. Operating revenue

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Hoan Pharmaceuticals, Ltd.	\$10,902	\$7,614	\$30,494	\$24,248

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

2. Purchases

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Hoan Pharmaceuticals, Ltd.	\$36,808	\$18,541	\$71,876	\$43,341

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

3. Accounts receivable-related party

	30 September 2023	31 December 2022	30 September 2022
Hoan Pharmaceuticals, Ltd.	\$23,814	\$19,707	\$14,653
Less: loss allowance	-	-	-
Net	\$23,814	\$19,707	\$14,653

4. Other receivables-related party

	30 September 2023	31 December 2022	30 September 2022
Hoan Pharmaceuticals, Ltd.	\$32	\$16	\$43

5. Advances to vendors-related party

	30 September 2023	31 December 2022	30 September 2022
Hoan Pharmaceuticals, Ltd.	<u>\$-</u>	<u>\$3,725</u>	<u>\$7,449</u>

6. Accounts payable-related party

	30 September 2023	31 December 2022	30 September 2022
Hoan Pharmaceuticals, Ltd.	<u>\$36,643</u>	<u>\$25,031</u>	<u>\$22,880</u>

7. Other payables-related party

	30 September 2023	31 December 2022	30 September 2022
Hoan Pharmaceuticals, Ltd.	<u>\$1,702</u>	<u>\$1,129</u>	<u>\$-</u>

8. Sales and marketing expenses

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Hoan Pharmaceuticals, Ltd.	<u>\$4,297</u>	<u>\$3,587</u>	<u>\$11,311</u>	<u>\$7,752</u>

9. Key management personnel compensation

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Short-term employee benefits	<u>\$8,769</u>	<u>\$4,513</u>	<u>\$60,207</u>	<u>\$25,868</u>
Post-employment benefits	<u>135</u>	<u>(86)</u>	<u>315</u>	<u>157</u>
Total	<u>\$8,904</u>	<u>\$4,427</u>	<u>\$60,522</u>	<u>\$26,025</u>

VIII. Assets Pledged as Security

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

Items	Carrying amount			Secured liabilities
	30 September 2023	31 December 2022	30 September 2022	
Financial assets measured at amortized cost	\$21,567	\$232,869	\$261,704	Customs deposit; guarantee bond with Science Park Administration and bank; interest reserved account for syndicated bank loans.
Property, plant and equipment - land	2,232,356	2,423,373	2,452,213	Short-term loans and long-term loans
Property, plant and equipment - buildings	793,767	1,414,086	1,353,135	Short-term loans and long-term loans
Investment properties	17,170	17,626	17,213	Long-term loans
Total	<u>\$3,064,860</u>	<u>\$4,087,954</u>	<u>\$4,084,265</u>	

Except for the pledged assets above, the Group also pledged all the shares of TWI Pharmaceuticals, Inc..

IX. Significant Contingencies and Unrecognized Contractual Commitments

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. After negotiation, both parties entered into a settlement agreement and Pu Ying Interior Decoration Design Co., Ltd. withdrew its litigation from Taiwan Taipei District Court on September 28, 2023.

X. Losses due to Major Disasters

None.

XI. Significant Subsequent Events

Bora Health Inc. (the “Bora Health”), a subsidiary the Company owned 83.64%, was authorized by the board of directors’ meeting at 21 August, 2023 for the share exchange with SunWay Biotech Co., Ltd. (the “SunWay”). In accordance with the share exchange agreement, every 0.89 share of Bora Health will be exchanged for 1 share of SunWay. On 13 October 2023, the proposal was approved and resolved by the extraordinary shareholders’ meeting of Bora Health and SunWay and the filing submitted by SunWay was approved and effective at 13 October, 2023. Sunway will issue new shares (25,414,472 shares) in exchange of all the shares

(22,618,880 shares) of Bora Health. Upon the completion of the share exchange, the Company will own 35.80% of SunWay ownership and become the top 1 major shareholder.

XII. Financial Instruments

1. Categories of financial instruments

Financial assets

	30 September 2023	31 December 2022	30 September 2022
Financial assets measured at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$270	\$2,350	\$-
Financial assets measured at amortized cost:			
Cash and cash equivalents (exclude cash on hand)	4,135,151	3,280,447	3,201,401
Financial assets measured at amortized cost	193,020	309,644	714,141
Notes receivable	39,497	36,900	15,799
Accounts receivable	3,823,179	6,048,050	5,754,397
Other receivables	102,524	286,376	149,930
Subtotal	<u>8,293,371</u>	<u>9,961,417</u>	<u>9,835,668</u>
Total	<u>\$8,293,641</u>	<u>\$9,963,767</u>	<u>\$9,835,668</u>

Financial liabilities

	30 September 2023	31 December 2022	30 September 2022
Financial liabilities measured at amortized cost:			
Short-term loans	\$1,917,315	\$2,161,065	\$2,685,682
Accounts and other payables (including amount recognized in other non-current liabilities)	2,128,586	4,754,749	4,139,020
Bonds payable	1,551,975	642,363	722,090
Long-term loans (including current portion)	2,721,215	4,120,101	4,629,353
Lease liabilities	621,479	672,186	651,257
Subtotal	<u>8,940,570</u>	<u>12,350,464</u>	<u>12,827,402</u>
Financial liabilities at fair value through profit or loss:			
Held for trading	9,010	501	3,040
Contingent considerations from business combinations	1,732,610	1,623,181	1,248,689
Subtotal	<u>1,741,620</u>	<u>1,623,682</u>	<u>1,251,729</u>
Total	<u>\$10,682,190</u>	<u>\$13,974,146</u>	<u>\$14,079,131</u>

2. Financial risk management objectives and policies

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

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

3. Market risk

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

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

Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 1%, the profit for the nine months ended 30 September 2023 and 2022 will be decreased/increased by NT\$13,194 thousand and NT\$12,273 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, an increase of 10 basis points of interest rate in a reporting period could cause the profit for the nine months ended 30 September 2023 and 2022 to decrease by NT\$2,485 thousand and NT\$4,753 thousand, respectively.

If all other factors remain, while the interest rate declines, the impact on profit and loss performance for the nine months ended 30 September 2023 and 2022 will be the same amount as above but at the opposite direction.

4. Credit risk management

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

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

As of 30 September 2023, 31 December 2022 and 30 September 2022, accounts receivable from top ten customers represent 85%, 74% and 97% of the total accounts receivable of the Group, 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 Group's finance department in accordance with the Group's policy. The transactions 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 Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	<u><= 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
30 September 2023					
Borrowings	\$3,170,463	\$1,219,818	\$124,934	\$289,326	\$4,804,541
Accounts and other payables	1,894,628	233,958	-	-	2,128,586
Convertible bonds	23,700	-	1,700,000	-	1,723,700
Lease liabilities (Note)	82,094	153,398	94,924	383,412	713,828
	<u><= 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
31 December 2022					
Borrowings	\$2,821,807	\$2,176,352	\$1,268,142	\$321,735	\$6,588,036
Accounts and other payables	4,347,842	406,908	-	-	4,754,750
Convertible bonds	-	-	708,000	-	708,000
Lease liabilities (Note)	82,168	162,196	130,251	400,248	774,863
	<u><= 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
30 September 2022					
Borrowings	\$3,494,788	\$2,089,417	\$1,737,694	\$326,640	\$7,648,539
Accounts and other payables	3,734,497	404,523	-	-	4,139,020
Convertible bonds	14,965	30,913	832,030	-	877,908
Lease liabilities (Note)	75,261	146,214	120,227	411,561	753,263

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

	<u>Maturities</u>					<u>Total</u>
	<u>Less than 5 year</u>	<u>5 to 10 years</u>	<u>11 to 15 years</u>	<u>16 to 20 years</u>	<u>>21 years</u>	
30 September 2023	\$330,416	\$112,251	\$112,251	\$69,877	\$89,033	\$713,828
31 December 2022	\$374,615	\$112,251	\$112,251	\$77,504	\$98,242	\$774,863
30 September 2022	\$341,702	\$117,951	\$112,251	\$80,046	\$101,313	\$753,263

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine months ended 30 September 2023:

	<u>Short-term loans</u>	<u>Long-term loans</u>	<u>Leases liabilities</u>	<u>Bonds Payable</u>	<u>Total liabilities from financing activities</u>
1 January 2023	\$2,161,065	\$4,120,101	\$672,186	\$642,363	\$7,595,715
Cash flows	(247,007)	(1,417,784)	(52,920)	2,023,360	305,649
Non-cash changes					
Convert	-	-	-	(1,113,761)	(1,113,761)
Others	3,257	18,898	2,213	13	24,381
30 September 2023	<u>\$1,917,315</u>	<u>\$2,721,215</u>	<u>\$621,479</u>	<u>\$1,551,975</u>	<u>\$6,811,984</u>

Reconciliation of liabilities for the nine months ended 30 September 2022:

	Short-term loans	Long-term loans	Leases liabilities	Bonds Payable	Total liabilities from financing activities
1 January 2022	\$645,475	\$1,250,185	\$323,509	\$-	\$2,219,169
Cash flows	1,291,127	3,344,419	(19,604)	844,998	5,460,940
Non-cash changes					
Acquisitions	720,000	-	213,704	-	933,704
Convert	-	-	-	(118,349)	(118,349)
Others	29,080	34,749	133,648	(4,559)	182,918
30 September 2022	<u>\$2,685,682</u>	<u>\$4,629,353</u>	<u>\$651,257</u>	<u>\$722,090</u>	<u>\$8,688,382</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 Group to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, other payables, and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- C. Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses 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 GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- D. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(2) Fair value of financial instruments measured at amortized cost

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

	Carrying amount as of		
	30 September 2023	31 December 2022	30 September 2022
Financial liabilities:			
Bonds payable	\$1,551,975	\$ 642,363	\$722,090

	Fair value as of		
	30 September 2023	31 December 2022	30 September 2022
Financial liabilities:			
Bonds payable	\$1,551,636	\$657,166	\$722,090

(3) Fair value measurement hierarchy for financial instruments

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

8. Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled at 30 September 2023, 31 December 2022 and 30 September 2022 is as follows:

Forward currency contracts

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

Items (by contract)	Notional Amount	Contract Period
As of 30 September 2023	None	
As of 31 December 2022		
Forward currency contract	Sell USD 2,000 thousand	28 December 2022 to 31 March 2023
	Sell USD 750 thousand	6 December 2022 to 30 January 2023
	Sell USD 650 thousand	29 December 2022 to 30 January 2023
As of 30 September 2022	None	

The Group entered into forward currency contracts for the purpose of equivalent cash inflow or cash outflow when the contracts expired to avoid the exchange rate variability risk for net assets or liabilities. Besides, the Group has sufficient working capital to meet the operational needs. Therefore, the cash flow risk on forward currency contracts is low.

Embedded derivatives

The Group's embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note VI for further information on this transaction.

9. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

(2) Fair value measurement hierarchy of the Group's assets and liabilities

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

30 September 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss:				
Embedded derivatives	\$-	\$-	270	\$270
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss:				
Embedded derivatives	\$-	\$-	\$9,010	\$9,010
Contingent considerations from business combinations	-	-	1,732,610	1,732,610
Total	<u>\$-</u>	<u>\$-</u>	<u>\$1,741,620</u>	<u>\$1,741,620</u>

31 December 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss:				
Forward foreign exchange contracts	\$-	\$14	\$-	\$14
Embedded derivatives	-	-	2,336	2,336
Total	<u>\$-</u>	<u>\$14</u>	<u>\$2,336</u>	<u>\$2,350</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	\$-	\$501	\$-	\$501
Contingent considerations from business combinations	-	-	1,623,181	1,623,181
Total	<u>\$-</u>	<u>\$501</u>	<u>\$1,623,181</u>	<u>\$1,623,682</u>

30 September 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss:				
Embedded derivatives	\$-	\$-	\$3,040	\$3,040
Contingent considerations from business combinations	-	-	1,248,689	1,248,689
Total	<u>\$-</u>	<u>\$-</u>	<u>\$1,251,729</u>	<u>\$1,251,729</u>

Transfers between Level 1 and Level 2 during the period

During the nine months ended 30 September 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

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

For the period from 1 January 2023 to 30 September 2023:

	<u>Financial assets (liabilities)</u>	
	<u>Measured at fair value through profit or loss</u>	
	<u>Embedded Derivatives</u>	<u>Contingent considerations</u>
As of 1 January 2023	\$2,336	\$(1,623,181)
Disposal/settlements	-	770,684
Acquisition/issues	(8,330)	-
Gains (losses) recognized in profit or loss: (presented in "other gains or losses")	(2,746)	(817,042)
Exchange differences	-	(63,071)
As of 30 September 2023	<u>\$(8,740)</u>	<u>\$(1,732,610)</u>

For the period from 1 January 2022 to 30 September 2022:

	Financial liabilities	
	Measured at fair value through profit or loss	
	Embedded Derivatives	Contingent considerations
As of 1 January 2023	\$-	\$-
Acquisition/issues	4,640	1,248,689
Gains (losses) recognized in profit or loss: (presented in “other gains or losses”)	(1,600)	-
As of 30 September 2023	\$3,040	\$1,248,689

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:

30 September 2023:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income:					
Stocks	Asset-based approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group’s equity by NT\$47 thousand
At fair value through profit and loss:					
Embedded derivatives	Binomial tree pricing method for convertible bond	Volatility	57.36%	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\$5 thousand or a decrease by NT\$36 thousand in the Group’s profit or loss

	<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 liabilities:					
Embedded derivatives	Binomial tree pricing method for convertible bond	Volatility	57.36%	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\$170 thousand or a decrease by NT\$680 thousand in the Group's profit or loss
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 a decrease of NT\$12,366 thousand or an increase of NT\$12,589 thousand in the Group's profit or loss

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 other comprehensive income:					
Stocks	Asset-based approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$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 Group's profit or loss

	<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 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 Group's profit or loss

30 September 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 other comprehensive income:					
Stocks	Asset-based approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$12 thousand
Financial liabilities:					
Embedded derivatives	Binomial tree pricing method for convertible bond	Volatility	48.05%	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\$0 thousand or a decrease by NT\$10 thousand in the Group's profit or loss
Contingent consideration	Discounted cash flow	Discount rate	10.1%~11.09%	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\$19,884 thousand or an increase of NT\$20,494 thousand in the Group's profit or loss

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

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

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

30 September 2023:

	<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	\$-	\$-	\$54,405	\$54,405

31 December 2022:

	<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	\$-	\$-	\$54,405	\$54,405

30 September 2022:

	<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

10. Significant assets and liabilities denominated in foreign currencies

	Unit: thousands		
	<u>30 September 2023</u>		
	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
Monetary items:			
USD	\$38,235	32.27	\$1,233,843
<u>Financial liabilities</u>			
Monetary items:			
USD	79,123	32.27	2,553,299

	Unit: thousands		
	31 December 2022		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$43,430	30.71	\$1,333,736
<u>Financial liabilities</u>			
Monetary items:			
USD	\$88,420	30.71	\$2,715,381

	Unit: thousands		
	30 September 2022		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$39,819	31.75	\$1,264,253
<u>Financial liabilities</u>			
Monetary items:			
USD	78,475	31.75	2,491,581

The Group mainly uses USD as transaction currency. The Group only discloses monetary financial assets and financial liabilities of USD. For the three months ended 30 September 2023 and 2022, the foreign exchange gain on monetary financial assets and financial liabilities amounted to NT\$123,984 thousand and NT\$161,240 thousand, respectively. For the nine months ended 30 September 2023 and 2022, the foreign exchange gain on monetary financial assets and financial liabilities amounted to NT\$156,089 thousand and NT\$180,000 thousand, respectively.

11. Capital management

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

12. Other

Some accounts reported in the previous financial statements have been reclassified to facilitate comparison of the financial statements.

XIII. Other Disclosure

1. Information at significant transactions

- (a) Financing provided to others: Please refer to Attachment 2.
- (b) Endorsement/Guarantee provided to others: Please refer to Attachment 3.
- (c) Securities held as of 30 September 2023: Please refer to Attachment 4.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine months ended 30 September 2023: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine months ended 30 September 2023: 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 nine months ended 30 September 2023: 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 nine months ended 30 September 2023: 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 30 September 2023: Please refer to Attachment 6.
- (i) Financial instruments and derivative transactions: Please refer to Note VI.2 and Note VI.14
- (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 1.

2. Information on investees: Please refer to Attachment 7.

3. Investment in Mainland China: None.

4. Information on major shareholders: Please refer to Attachment 8.

XIV. Segment information

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

Sales segment: Selling pharmaceuticals, generic, and healthcare products.

CDMO segment: Contract Development & Manufacturing Organization of pharmaceuticals.

Other segment: Others.

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

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

1. Segment information.

Three months ended 30 September 2023

	Sales segment	CDMO segment	Other segment	Adjustment and elimination	Consolidated
Revenue					
External customer	\$1,795,257	\$1,278,502	\$1,622	\$-	\$3,075,381
Inter-segment (Note)	3,441	154,289	89,991	(247,721)	-
Total revenue	<u>\$1,798,698</u>	<u>\$1,432,791</u>	<u>\$91,613</u>	<u>\$(247,721)</u>	<u>\$3,075,381</u>
Segment profit	<u>\$1,040,842</u>	<u>\$405,296</u>	<u>\$(465,173)</u>	<u>\$(57,949)</u>	<u>\$923,016</u>

Nine months ended 30 September 2023

	Sales segment	CDMO segment	Other segment	Adjustment and elimination	Consolidated
Revenue					
External customer	\$7,293,999	\$3,695,162	\$5,317	\$-	\$10,994,478
Inter-segment (Note)	17,832	328,121	200,653	(546,606)	-
Total revenue	<u>\$7,311,831</u>	<u>\$4,023,283</u>	<u>\$205,970</u>	<u>\$(546,606)</u>	<u>\$10,994,478</u>
Segment profit	<u>\$3,640,267</u>	<u>\$887,710</u>	<u>\$(1,071,528)</u>	<u>\$(71,960)</u>	<u>\$3,384,489</u>

Three months ended 30 September 2022

	Sales segment	CDMO segment	Other segment	Adjustment and elimination	Consolidated
Revenue					
External customer	\$1,523,747	\$1,198,768	\$1,621	\$-	\$2,724,136
Inter-segment (Note)	11,662	5,167	69,587	(86,416)	-
Total revenue	<u>\$1,535,409</u>	<u>\$1,203,935</u>	<u>\$71,208</u>	<u>\$(86,416)</u>	<u>\$2,724,136</u>
Segment profit	<u>\$426,380</u>	<u>\$320,513</u>	<u>\$44,540</u>	<u>\$(9,405)</u>	<u>\$782,028</u>

Nine months ended 30 September 2022

	Sales segment	CDMO segment	Other segment	Adjustment and elimination	Consolidated
Revenue					
External customer	\$1,771,091	\$3,417,983	\$6,947	\$-	\$5,196,021
Inter-segment (Note)	48,847	13,949	147,647	(210,443)	-
Total revenue	<u>\$1,819,938</u>	<u>\$3,431,932</u>	<u>\$154,594</u>	<u>\$(210,443)</u>	<u>\$5,196,021</u>
Segment profit	<u>\$451,321</u>	<u>\$973,908</u>	<u>\$(12,626)</u>	<u>\$(8,486)</u>	<u>\$1,404,117</u>

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

Attachment 1

Significant inter-company transactions during the period

For the nine months ended 30 September 2023

No. (Note 1)	Company Name	Counter-party	Relationship with the Company (Note 2)	Transactions			
				Financial statement account	Amount	Terms	Percentage of consolidated operating revenue or consolidated total assets (Note 3)
0	The Company	Bora Pharmaceutical Laboratories Inc.	1	Accounts receivable	110,971	60 days from the date of invoice	0.47%
0	The Company	Bora Pharmaceutical Laboratories Inc.	1	Operating revenue	200,642	60 days from the date of invoice	1.82%
0	The Company	Bora Pharmaceutical Services Inc.	1	Other receivables	26,359	60 days from the date of invoice	0.11%
0	The Company	Bora Pharmaceutical Services Inc.	1	Other revenue	33,258	60 days from the date of invoice	0.30%
0	The Company	TWi Pharmaceuticals, Inc.	1	Other receivables	82,916	60 days from the date of invoice	0.35%
0	The Company	TWi Pharmaceuticals, Inc.	1	Other revenue	81,734	60 days from the date of invoice	0.74%
1	Bora Pharmaceutical Laboratories Inc.	TWi Pharmaceuticals, Inc.	3	Accounts receivable	80,939	60 days from the date of invoice	0.35%
1	Bora Pharmaceutical Laboratories Inc.	TWi Pharmaceuticals, Inc.	3	Operating revenue	232,102	60 days from the date of invoice	2.11%
1	Bora Pharmaceutical Laboratories Inc.	Bora Health Inc.	3	Operating revenue	13,669	60 days from the date of invoice	0.12%
1	Bora Pharmaceutical Laboratories Inc.	TWi Pharmaceuticals USA, Inc.	3	Operating revenue	60,502	60 days from the date of invoice	0.55%
1	Bora Pharmaceuticals USA Inc.	Bora Pharmaceutical Services Inc.	3	Other revenue	80,355	Net 30 days	0.73%
2	TWi Pharmaceuticals, Inc.	Bora Pharmaceutical Laboratories Inc.	3	Operating revenue	17,649	60 days from the date of invoice	0.16%
3	TWi Pharmaceuticals, Inc.	TWi Pharmaceuticals USA, Inc.	3	Accounts receivable	4,601,365	120 days from the date of invoice	19.64%
3	TWi Pharmaceuticals, Inc.	TWi Pharmaceuticals USA, Inc.	3	Operating revenue	5,997,601	120 days from the date of invoice	54.55%
4	Bora Pharmaceuticals Ophthalmic Inc.	TWi Pharmaceuticals, Inc.	3	Operating revenue	11,077	60 days from the date of invoice	0.10%

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

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

Note 2: Transactions are categorized as follows:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated total assets or operating revenue: it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenue for income statement accounts.

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

Attachment 2

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		
1	Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceuticals Co., Ltd.	Other receivables-related parties	Yes	\$400,000	\$-	\$-	-%	2	\$-	Need for operation	\$-	None	\$-	\$858,702	\$1,073,378
1	Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceuticals Ophthalmic Inc.	Other receivables-related parties	Yes	\$200,000	\$-	\$-	-%	2	\$-	Need for operation	\$-	None	\$-	\$858,702	\$1,073,378

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

(1) Parent Company is "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 accumulated business transaction amounts of the past 12 months. 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 is "1".

(2) Short-term financing is "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 3

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 Health Inc.	2	\$38,584,235	\$25,000	\$25,000	\$25,000	\$-	0.32%	\$38,584,235	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Laboratories Inc.	2	\$38,584,235	\$717,500	\$-	\$-	\$-	-%	\$38,584,235	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Biologics Co., Ltd.	2	\$38,584,235	\$360,000	\$240,000	\$-	\$-	3.11%	\$38,584,235	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	TWi Pharmaceuticals, Inc.	2	\$38,584,235	\$1,050,000	\$-	\$-	\$-	-%	\$38,584,235	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Services Inc.	2	\$38,584,235	\$2,868,000	\$2,868,000	\$2,868,000	\$-	37.17%	\$38,584,235	Y	N	N
1	TWi Pharmaceuticals, Inc.	Bora Pharmaceuticals Ophthalmic Inc.	4	\$1,145,624	\$200,000	\$-	\$-	\$-	-%	\$2,864,061	N	N	N
2	Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceuticals Ophthalmic Inc.	4	\$21,467,561	\$200,000	\$200,000	\$200,000	\$-	9.32%	\$21,467,561	N	N	N

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

- (1) Parent Company is "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 company in which the Company holds directly or its subsidiaries hold indirectly, 50% or more of the voting shares.
- (3) A company which holds directly or its subsidiaries hold indirectly, 50% or more of the voting shares of the Company.
- (4) A company in which the Company holds directly or its subsidiaries hold indirectly, 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) 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 TWi Pharmaceuticals, Inc. is 20% of its net worth.

Limit of guarantee/endorsement amount for each receiving party of Bora Pharmaceuticals Laboratories Inc. is 10 times 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 TWi Pharmaceuticals, Inc is 50% of its net worth.

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

Attachment 4

Securities held as at the end of the reporting period. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities (Note1)	Relationship	Financial statement account	As of 30 September 2023				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, non-current	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 5

Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as at the end of the reporting period.

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)	
Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Laboratories Inc.	Parent/subsidiary	Sales	\$200,642	56.20%	60 days from the date of invoice	Unit price and terms were not significantly different from transactions with third parties	Accounts receivable \$110,971	68.72%	Note 1	
TWi Pharmaceuticals, Inc.	TWi Pharmaceuticals USA, Inc.	Parent/subsidiary	Sales	\$5,997,601	99.51%	120 days from the date of invoice	Unit price and terms were not significantly different from transactions with third parties	Accounts receivable \$4,601,365	99.93%	Note 1	
Bora Pharmaceutical Laboratories Inc.	TWi Pharmaceuticals, Inc.	Other related party	Sales	\$232,102	30.86%	60 days from the date of invoice	Unit price and terms were not significantly different from transactions with third parties	Accounts receivable \$80,939	33.69%	Note 1	

Note 1: All transactions listed above are eliminated in the consolidated financial statements

Attachment 6

Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as at the end of the reporting period.

Company Name	Counter-party	Relationship	Ending balance of receivables from related party (Note 1)	Turnover Rate	Overdue		Amount received in subsequent period	Allowance for doubtful debts	Note
					Amount	Action			
Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Laboratories Inc.	Parent/subsidiary	\$110,971	3.12	\$-	-	\$36,255	-	Note 1
TWi Pharmaceuticals, Inc.	TWi Pharmaceuticals USA, Inc.	Parent/subsidiary	\$4,601,365	2.56	\$-	-	\$1,128,244	-	Note 1

Note 1: All transactions listed above are eliminated in the consolidated financial statements.

Attachment 7

Information on investees

Investor	Investee company	Location	Main businesses	Initial investment amount		Balance as of 30 September 2023			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	\$-	\$165,874	-	-%	\$-	\$244	\$311	(Note 3)
The Company	Bora Health Inc.	Taipei City, Taiwan	Pharmaceutical wholesale and healthcare product wholesale	\$190,466	\$190,466	18,918,880	83.64%	\$262,612	\$23,471	\$21,227	(Note 1)
The Company	Bora Pharmaceutical Laboratories Inc.	Miaoli County, Taiwan	Pharmaceutical contract development and manufacturing	\$1,156,810	\$1,156,810	165,000,000	100%	\$2,101,647	\$333,830	\$333,830	-
The Company	Bora Pharmaceuticals USA Inc.	State of Delaware, USA	Pharmaceutical wholesale	\$59,969	\$59,969	500,000	100%	\$95,615	\$28,242	\$28,242	-
The Company	Bora Pharmaceutical Services Inc.	Province of Ontario, Canada	Pharmaceutical contract development and manufacturing	\$219,279	\$219,279	100,000,000	50%	\$1,421,460	\$439,260	\$219,630	-
The Company	Bora Management Consulting Co., Ltd.	Taipei City, Taiwan	Management and consulting	\$1,000	\$1,000	100,000	100%	\$2,724	\$793	\$793	-
The Company	Bora Biologics Co., Ltd.	Hsinchu City, Taiwan	Biotechnical services, research and development services and pharmaceutical manufacturing	\$1,103,720	\$1,103,720	39,425,000	65.70%	\$1,175,846	\$67,967	\$44,654	-
The Company	Bora Pharmaceutical and Consumer Health Inc.	Taipei City, Taiwan	Biotechnical research and management and consulting	\$100	\$100	10,000	100%	\$(24)	\$(55)	\$(55)	-
The Company	TWi Pharmaceuticals, Inc.	Taipei City, Taiwan	Pharmaceutical manufacturing and wholesale	\$5,676,416	\$5,676,416	60,000,000	100%	\$7,869,662	\$2,846,385	\$2,774,425	(Note 2)

Investor	Investee company	Location	Main businesses	Initial investment amount		Balance as of 30 September 2023			Net income (loss) of investee	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Shares	Percentage of ownership	Carrying amount			
Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	Province of Ontario, Canada	Pharmaceutical contract development and manufacturing	\$213,100	\$213,100	100,000,000	50%	\$1,421,460	\$439,260	\$219,630	-
Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceuticals Ophthalmic Inc.	Taipei City, Taiwan	Pharmaceutical contract development and manufacturing	\$60,126	\$-	54,252,492	98.64%	\$34,076	\$(91,605)	\$(26,050)	(Note 3) (Note 4)
Bora Health Inc.	Union Chemical & Pharmaceutical Co., Ltd.	Taipei City, Taiwan	Pharmaceutical manufacturing and wholesale	\$31,558	\$-	1,500,000	100%	\$31,491	\$244	\$(67)	(Note 3)
TWi Pharmaceuticals, Inc.	Bora Pharmaceuticals Ophthalmic Inc.	Taipei City, Taiwan	Pharmaceutical contract development and manufacturing	\$-	\$580,866	\$-	-%	\$-	\$(91,605)	\$(64,117)	(Note 3) (Note 4)
TWi Pharmaceuticals, Inc.	TWi Pharmaceuticals USA, Inc.	State of New Jersey, USA	Pharmaceutical wholesale	\$231,982	\$231,982	38	100%	\$(1,147,589)	\$1,625,586	\$1,625,586	-

Note 1: In July, 2023, Bora Health Inc. issued 1,700 thousand shares to other investors which caused the ownership of the Company decreased from 90.44% to 83.64%. All the new shares issued have completed the registration process in August, 2023.

Note 2: The investment income recognized had deducted the depreciation and amortization expenses arose from the difference between the identifiable assets at fair value and carrying amount of interests in subsidiary as at the acquisition date.

Note 3: Due to the restructuring of the Group, Bora Pharmaceutical Laboratories Inc. has acquired all the shares of Bora Pharmaceuticals Ophthalmic Inc. owned by TWi Pharmaceuticals, Inc. (98.64%) since July, 2023. The Company sold all the shares of Union Chemical & Pharmaceutical Co., Ltd. to Bora Health Inc. Please refer to Note IV.3 for the details.

Note 4: Investment income (loss) includes the effect of unrealized or realized gross profit on intercompany transactions.

Attachment 8

Information on major shareholders

Name of major shareholders	Shares	Percentage of Ownership
Baolei Co., Ltd.	18,704,939	18.46%
Reibaoshin Co., Ltd.	11,513,676	11.36%
Sheng Pao-Shi	5,356,672	5.28%

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.