# IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES**

**IMPORTANT:** You must read the following before continuing. The following applies to the Preliminary Offering Circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Preliminary Offering Circular. In accessing the Preliminary Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO AND ACCESS HAS BEEN LIMITED SO THAT IT SHALL NOT CONSTITUTE A GENERAL ADVERTISEMENT OR GENERAL SOLICITATION (AS THOSE TERMS ARE USED IN REGULATION D UNDER THE SECURITIES ACT) OR DIRECTED SELLING EFFORTS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) IN THE UNITED STATES OR ELSEWHERE. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PRELIMINARY OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this Preliminary Offering Circular or make an investment decision with respect to the securities, investors must be outside of the U.S. (within the meaning of Regulation S under the Securities Act). This Preliminary Offering Circular is being sent at your request and by accepting the e-mail and accessing this Preliminary Offering Circular, you shall be deemed to have represented to us that you are outside of the U.S., the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and that you consent to delivery of such Preliminary Offering Circular by electronic transmission.

You are reminded that this Preliminary Offering Circular has been delivered to you on the basis that you are a person into whose possession this Preliminary Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Preliminary Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of the underwriter is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This Preliminary Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither J.P. Morgan Securities plc (the "**Initial Purchaser**"), the Trustee and the Agents (each as defined in the "Description of the Bonds") nor any person who controls any of them nor any of their respective directors, officers, employees or agents or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchaser.

*Singapore SFA Product Classification:* In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

**Restrictions**: The attached Preliminary Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

**Actions that you may not take**: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

**OFFERING CIRCULAR** **CONFIDENTIAL**

# Bora Pharmaceuticals Co., Ltd.

*(incorporated as a company limited by shares in Taiwan, the Republic of China)*

## US$200,000,000 Currency-Linked Zero Coupon Convertible Bonds Due 2029
## Issue Price: 100%

We are offering US$200,000,000 aggregate principal amount of Currency-Linked Zero Coupon Convertible Bonds due 2029 (the "**Bonds**"). Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature, and we will redeem the Bonds, on September 5, 2029 (the "**Maturity Date**") at the Settlement Equivalent (as defined herein) of 114.63% of the unpaid principal amount thereof. The Bonds will not bear any interest. The Bonds will be convertible into our common shares (the "**Shares**" or the "**Common Shares**"), par value NT$10.00 per share, during the period from and including December 5, 2024 to and including August 26, 2029, except during certain Closed Periods (as defined herein), at an initial conversion price of NT$964.60 per share with a fixed exchange rate of NT$31.9620 = US$1.00 applicable on conversion of the Bonds. The Shares are listed on the Taiwan Stock Exchange Corporation (the "**TWSE**") under the stock code "6472" and are subject to certain restrictions on trading imposed by the rules and regulations of the TWSE. See "Risk Factors—Risks Relating to the Common Shares and the Bonds." On August 29, 2024, the closing price of our Shares on the TWSE was NT$742.00.

At any time on or after September 19, 2027, we may redeem the Bonds, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount (as defined herein) under the circumstances described in this offering circular (the "**Offering Circular**"). At any time, we may also redeem the Bonds then outstanding at the Settlement Equivalent of the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and cancelled or converted is at least 90% of the principal amount originally issued. We may also redeem the Bonds then outstanding, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount, if, as a result of certain changes in the laws or regulations of the Republic of China (the "**ROC**") occurring after September 5, 2024, we become obligated to pay Additional Amounts (as defined herein).

You may require us to repurchase the Bonds, in whole or in part (being US$200,000 in principal amount and integral multiples of US$100,000 in excess thereof), (i) at the Settlement Equivalent of 108.54% of the outstanding principal amount thereof on September 5, 2027, (ii) at the Settlement Equivalent of the Early Redemption Amount in the event of a Delisting (as defined herein) or (iii) at the Settlement Equivalent of the Early Redemption Amount in the event of a Change of Control (as defined herein).

The Bonds will be our direct, unconditional, unsubordinated, but subject to a negative pledge, as described in "Description of the Bonds—3. Negative Pledge", and unsecured obligations, and will rank pari passu without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.

LYFE High Point Limited ("**LYFE**") has subscribed for, and has been allocated by the Initial Purchaser, US$100 million in aggregate principal amount of the Bonds being offered in this offering at the same offering price and on the same terms as the other Bonds being offered. LYFE is neither making nor should be construed to make any representation regarding the legality or viability of an investment in the Bonds. Investors should not place any reliance on LYFE's participation in the offering as an anchor investor or LYFE's investment analysis about us and this offering, and each investor should make its own independent investment decision.

We have received approval in-principle for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Offering Circular. Admission of the Bonds to the Official List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our company, our subsidiaries, our associated companies, the Bonds or the Shares. Prior to this offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Shares.

Notification pursuant to Section 309B(1) of the Securities and Futures Act 2001 of Singapore—The Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

INVESTING IN THE BONDS INVOLVES RISKS THAT ARE DESCRIBED IN "RISK FACTORS" BEGINNING ON PAGE 11 OF THIS OFFERING CIRCULAR.

Neither the Bonds nor the Shares have been or will be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws, and are being offered and sold outside the United States in accordance with Regulation S under the U.S. Securities Act, and outside the ROC. The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of restrictions on transfers of the Bonds, see "Transfer Restrictions" and "Plan of Distribution."

The Bonds will be represented by one or more global certificates (each a "**Global Bond**") and will be fully issued in registered form in the name of a nominee for, and shall be deposited with a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**"). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except as described herein, individual definitive certificates for the Bonds will not be issued in exchange for interests in the Bonds. The Initial Purchaser expects to deliver the Bonds to purchasers on or about September 5, 2024.

***Sole Global Coordinator and Bookrunner***

J.P.Morgan

Offering Circular dated August 29, 2024

## NOTICE TO INVESTORS

You should rely only on the information contained in this Offering Circular. Neither Bora Pharmaceuticals Co. Ltd. (the "**Company**" or the "**Issuer**") nor the Initial Purchaser have authorized anyone to provide you with different information. Neither the Issuer nor the Initial Purchaser are making an offer of these securities in any state or jurisdiction where the offer is not permitted. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. You should not assume that the information contained in this Offering Circular is accurate as of any date other than the date of this Offering Circular. The Issuer's business, financial condition, results of operations and prospects may have changed since that date.

Except as described below, the Issuer accepts responsibility for the information contained in this Offering Circular. The Issuer, having made all reasonable enquiries, confirm that this Offering Circular contains all information with respect to the Issuer, its consolidated subsidiaries, the Bonds and the Common Shares to be delivered upon conversion of the Bonds that is material in the context of the issue and offering of the Bonds, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Bonds, make this Offering Circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respects and that all reasonable enquiries have been made by the Issuer to verify the accuracy of such information and that this Offering Circular does not contain an untrue statement of a material fact or omit to state a material fact required to be stated or necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading. The information contained in the sections entitled "Appendix A—The Securities Markets of the ROC" and "Appendix B—Foreign Investment and Exchange Controls in the ROC" has been extracted from publicly available resources. However, such information has not been verified by the Issuer, the Initial Purchaser or any of the Issuer's or the Initial Purchaser's respective affiliates or advisors in connection with this offering.

The distribution of this Offering Circular and the offering and sale of the Bonds, in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Initial Purchaser to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offering and sale of the Bonds, and distribution of this Offering Circular, see "Plan of Distribution" and "Transfer Restrictions." This Offering Circular does not constitute an offer of, or an invitation by or on behalf of us or the Initial Purchaser to subscribe for or purchase any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. This Offering Circular may be used only for the purposes for which it has been published.

In making an investment decision regarding the Bonds, you must rely on your own examination of our Company and the terms of the Bonds and this offering, including the merits and risks involved. The contents of this Offering Circular are not to be considered as legal, business, financial or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Bonds. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Initial Purchaser, the Trustee, the Agents or any of their respective affiliates, as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with our Company, the issue and offering of the Bonds or the Shares. To the fullest extent permitted by law, none of the Initial Purchaser, the Trustee or the Agents accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Initial Purchaser, the Trustee or the Agents or on their behalf in connection with our Company, the issue and offering of the Bonds or the Shares. The Initial Purchaser, the Trustee or the Agents accordingly disclaim any and all liabilities whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

## PRIIPS REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## UK PRIIPS REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 of the United Kingdom (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In addition, prospective investors should be aware that this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at: (i) in the UK, persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), and/or high net-worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (ii) persons who are outside the UK (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to, and will be engaged in only with, relevant persons.

### Singapore SFA Product Classification

In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12 : Notice on the Sale of Investment Products and MAS Notice FAA-N16 : Notice on Recommendations on Investment Products).

### Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct—Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this Offering of the Bonds, including the Initial Purchaser, are "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**Code**"). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for this Offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an association ("**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with the Initial Purchaser, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Initial Purchaser or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with the Initial Purchaser, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the Initial Purchaser when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private bank(s) which acts as a CMI in connection with this Offering ("**Private Banks**") which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Initial Purchaser and/or any other third parties as may be required by the Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this Offering. Failure to provide such information may result in that order being rejected.

**Industry and Market Data**

Market data and certain industry forecasts used in this Offering Circular have been obtained from both public and private sources, market research, publicly available information and industry publications. Although the Issuer believes the information to be reliable, it has not been independently verified by the Issuer, the Initial Purchaser, the Trustee, the Agents or their respective affiliates, subsidiaries, directors, officers, employees, agents, representatives and advisors (and any person who controls any of them) and none of the Issuer, the Initial Purchaser, the Trustee, the Agents or their respective affiliates, subsidiaries, directors, officers, employees, agents, representatives and advisors (and any person who controls any of them) makes any representation as to the accuracy or completeness of such information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer and the terms of the offering, the Bonds, and the Common Shares, including the merits and risks involved. Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information to be inaccurate or misleading.

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## PRESENTATION OF INFORMATION

The references to "the Company," "the Group," "Bora," "we," "us" and "our" in this Offering Circular refer to Bora Pharmaceuticals Co., Ltd. and its subsidiaries, as the context requires, unless specifically indicated. The references to "Shares" refer to the common shares of the Company, par value NT$10 per common share. The references to "Taiwan" and "ROC" refer to Taiwan, the Republic of China. The references to "PRC" and "China" refer to the People's Republic of China but not including Hong Kong and Macau Special Administration Regions. The references to "the ROC Company Law" refer to the Company Law of the ROC. The references to "FSC" refer to the Financial Supervisory Commission of the ROC. The references to "TWSE" refer to the Taiwan Stock Exchange Corporation.

Unless expressly stated otherwise, all financial information, description and other information regarding our financial condition and results of operations as of and for the years ended December 31, 2021, 2022 and 2023 and as of and for the six months ended June 30, 2023 and 2024 included in this Offering Circular are presented on a consolidated basis. We prepared our consolidated financial statements as of and for the years ended December 2021, 2022 and 2023 and as of and for the six months ended June 30, 2023 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 have been audited and our consolidated financial statements as of and for the six months ended June 30, 2023 and 2024 have been reviewed by Ernst & Young, Taiwan, independent auditors.

The financial statements of the Company are published in New Taiwan dollars, the lawful currency of the ROC. All references to "United States dollars," "US dollars" and "US$" are to United States dollars, all references to "New Taiwan dollars," "NT dollars" and "NT$" are to New Taiwan dollars and all references to "HK$" are to Hong Kong dollars. Unless otherwise noted, all translations from NT dollars to US dollars were made at the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board (the "**Noon Buying Rate**") as of June 28, 2024, which was NT$32.45 = US$1.00. All amounts translated into US dollars in this Offering Circular are provided solely for your convenience and no representation is made that the NT dollar or US dollar amounts referred to herein could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, the total of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

We have compiled all industry and market information and statistics contained in this Offering Circular from various published and private sources, which may be inconsistent with other information compiled elsewhere. Unless otherwise indicated, all industry and market information and statistics contained in this Offering Circular relate to Taiwan. We have reproduced such information correctly in this Offering Circular but neither we nor the Initial Purchaser, have independently verified the accuracy or completeness of any of such information.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offering Circular, statements made in press releases and oral statements that may be made by us or our officers, directors or employees acting on our behalf that are not statements of historical fact may constitute "forward-looking statements." You can identify some of these forward-looking statements by terms such as "expects," "believes," "plans," "intends," "estimates," "anticipates," "may," "will," "would" and "could" or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements.

Forward-looking statements include, but are not limited to, such matters as:

- our future operating or financial results and future revenues and expenses;
- the intensely competitive and dynamic industries in which we operate;
- market acceptance of our products and services;
- volatility associated with the research and development of new products;
- changes in the availability and prices of raw materials and machinery and equipment we need to manufacture our products;
- statements about pending or recent acquisitions, business strategy and expected capital spending or operating expenses;
- our ability to manage the expansion of our operations;
- expectations relating to dividend payments and ability to make such payments;
- our financial condition and liquidity, including our ability to make required payments under our credit facilities, comply with our loan covenants and obtain additional financing to fund capital expenditures, acquisitions and other corporate activities;
- anticipating developments with respect to litigation;
- the risk factors discussed in "Risk Factors" beginning on page 11; and
- other matters described in this Offering Circular regarding matters that are not historical facts,

are only forecasts based on information available to us. Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Offering Circular, we advise you not to place undue reliance on those statements. We are not representing or warranting to you that our actual future results, performance or achievements will be as discussed in those statements. Further, we disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances.

## ENFORCEABILITY OF FOREIGN JUDGMENTS

The Company is a company limited by shares and incorporated under the ROC Company Law. Substantially all of its directors, supervisors and executive officers and certain of the experts named in this Offering Circular are residents of the ROC, and a significant portion of the Company's assets and these persons are located in the ROC. As a result, it may not be possible for you to effect service of process upon the Company or any of these persons outside of the ROC, or to enforce against any of them judgments obtained in courts outside of the ROC. The Company's ROC counsel has advised that any final judgment obtained against the Company or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Bonds or the Shares to be issued upon conversion of the Bonds will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, (i) the Company or such persons were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on the Company or such persons with judicial assistance of the ROC;
- the judgment and the court procedure resulting in the judgment are not contrary to the public order or good morals of the ROC; and
- judgments of the courts of the ROC would be recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan), or CBC, for the remittance out of the ROC of any amounts exceeding US$100,000 or its equivalent recovered in respect of the judgment denominated in a currency other than NT dollars. See "Appendix B—Foreign Investment and Exchange Controls in the ROC."

# GLOSSARY OF TECHNICAL TERMS

Set forth below are definitions of certain technical terms used in this Offering Circular:

Amneal means Amneal Pharmaceuticals, Inc.

ANDA means abbreviated new drug application.

Bao Lei means Bao Lei Co., Ltd., one of our directors with Chen Kuan-Pai as representative.

Bora Biologics means Bora Biologics Co., Ltd., our subsidiary.

Bora Health means Bora Health Co., Ltd., our subsidiary.

CDMO means contract development and manufacturing organization.

Eisai means Eisai Co., Ltd., a Japanese pharmaceutical company headquartered in Tokyo.

GSK means GlaxoSmithKline plc.

Merck means Merck KGaA, Merck Seraono SA and Ares Trading SA.

NDA means new drug applications.

OTC means over-the-counter, those medicines that can be sold directly to purchasers without a prescription.

PRC means People's Republic of China.

Sunway Biotech means SunWay Biotech Co., Ltd., consolidated by us in 2023 through share swap.

TAYA means TA YA Venture Capital Co., Ltd., one of our directors with Shen Shang-Hung as representative.

TFDA means the Food and Drug Administration of the Ministry of Health and Welfare of Taiwan.

TWi Pharmaceuticals means TWi Pharmaceuticals, Inc. and TWi Pharmaceuticals USA, Inc. both acquired by us in 2022.

Upsher-Smith or USL means Upsher-Smith Laboratories, LLC, acquired by us in 2024.

U.S. or United States means the United States of America.

U.S. FDA or FDA means the United States Food and Drug Administration.

505(B)(2) means a regulatory pathway under the U.S. FDA that allows for the approval of new drug applications based on data not developed by the applicant, such as published literature or studies not conducted under the applicant, facilitating a more efficient approval process for certain modifications of already approved drugs.

# SUMMARY

*You should read the following summary together with the more detailed information regarding the Offering, the Company, the Bonds and the Common Shares issuable upon conversion of the Bonds and our consolidated financial statements and notes to those statements appearing elsewhere in this Offering Circular.*

## Overview

According to public financial data, we are the largest CDMO service provider in Taiwan in terms of revenue from CDMO services in 2023, with a global commercial sales operation of branded generics, specialty generics, general generics and OTC healthcare products. Leveraging our unique dual-engine business model of CDMO services and global commercial sales, we have achieved significant growth both organically and through strategic acquisitions.

Our dual-engine model drives revenue and profitability growth synergistically. Our CDMO manufacturing capabilities enable us to reduce production costs for our commercial sales business while concentrating on R&D and sales efforts to penetrate higher-margin niche markets. Simultaneously, increased orders from our commercial sales business optimize the utilization of our CDMO facilities, enhancing economies of scale, which attracts more CDMO orders. Furthermore, our model unlocks a broader spectrum of acquisition prospects, spanning not only targets focusing on one aspect of our operations, but also those possessing both manufacturing capabilities and drug portfolios, as well as CDMO customers seeking to divest their branded drugs.

Our CDMO service business offers comprehensive services on both large and small molecule drugs and covers a broad spectrum of dosage forms, from tablets, capsules, semi-solid to liquids. Currently we operate ten manufacturing sites capable of expanding dosage forms with North America footprint and global reach. We have accumulated a loyal customer base across the world, including pharmaceutical and biotechnology companies such as, GSK, Amneal and Eisai. These partnerships, among many other CDMO customers we serve, highlight our commitment to fostering long-term relationships with our customers, ensuring mutual growth. With the continuous integration of acquired facilities, we added a total of 45 new development projects in 2023, 39 of which were small molecule products and six of which were large molecule products, and aim to help our customers achieve at least 15 new commercial launches in 2024.

We distribute our drug and healthcare products in the United States, Taiwan and mainland China, with approximately 90% of our revenue in global commercial sales derived in the United States market after accounting for our USL acquisition. According to our internal survey and public records, we believe we are one of the front-runner Taiwanese companies to enter the United States generics market, and as of June 30, 2024, we held the highest number of ANDA approvals in the United States among all Taiwanese pharmaceutical companies. We have built a diversified portfolio of commercialized products and pipeline products. As of June 30, 2024, our commercialized products include 75 general generics, five branded NDAs, two specialty generics, and a selected group of OTC healthcare products. Notably, our generic drug Dexlansoprazole developed by TWi Pharmaceuticals for treating gastroesophageal reflux has a commanding market share of 43% by volume in the United States as of June 30, 2024. We have already obtained 11 ANDA approvals with Paragraph IV certificates, or PIV, in the United States and have a stable pipeline for long-term growth with five general generics and two specialty generics pending for launch in the second half of 2024. We also efficiently manage and distribute our specialty generic drugs for rare diseases through our U.S. warehouse, ensuring timely delivery to patients.

We have established a proven track record of successful accretive acquisitions, which has allowed us to rapidly expand our scale, capabilities and global footprint. The acquisition of TWi Pharmaceuticals in 2022 opened the door for us to move upmarket in the United States; the consolidation of SunWay Biotech acquired in 2023 paved the way for us to gain proprietary R&D capabilities and obtain more market share in healthcare products; and the acquisition of Upsher-Smith in 2024 provided us with two new facilities in the United States ready for CDMO services and a portfolio of 53 generic drugs. On August 20, 2024, we consummated the transaction with Emergent BioSolutions to acquire its sterile injectables manufacturing facility in Camden Maryland, which will expand our spectrum of dosage forms to include injectables and further strengthen our large molecule capabilities in drug substance and drug product development.

At the helm of our Company is a seasoned management team, which drives our success and rapid growth through both organic expansion and strategic acquisitions, supported by a pool of talents. We are led by our CEO and Chairman, Mr. Sheng Pao-Shi, a pharmaceutical industry veteran with over 25 years of experience and expertise in mergers and acquisitions, strategy planning and operational management, who is supported by members of our senior management team equipped with extensive experience and diverse expertise domestically and internationally. In addition, we attract and retain highly experienced management teams from our acquisitions to strengthen our talent pool, whose familiarity with the operations and culture enables a seamless integration and promotes operational excellence. We believe the strength of our management team together aided by our acquisitions with our unique value proposition will continue to help us attract and retain talent from all over the world.

We have achieved robust growth in both our revenue and profitability while generating strong cash flows. Our revenue grew from NT$4.90 billion in 2021 to NT$14.2 billion in 2023, representing a CAGR of 70.2% driven by both organic growth and strategic acquisitions. Our operating profit margin increased from 21% in 2021 to 37% in 2023, as a result of a more favorable mix of services and products. Our cash generated from operations increased from NT$1.25 billion in 2021 to NT$5.45 billion in 2023 as a result of continuous CDMO orders and increased commercial sales.

**Our competitive strengths**

- Leading global CDMO service provider with comprehensive capabilities and services across small and large molecules and dosage forms
- Global commercial sales operation with a diversified portfolio and stable pipeline for long-term growth
- A dual-engine business model with unique advantage to deliver long-term growth and enhanced profitability
- Accelerated growth and expanding global presence on back of disciplined and successful acquisitions
- Seasoned management team with proven track record supported by a strong talent base

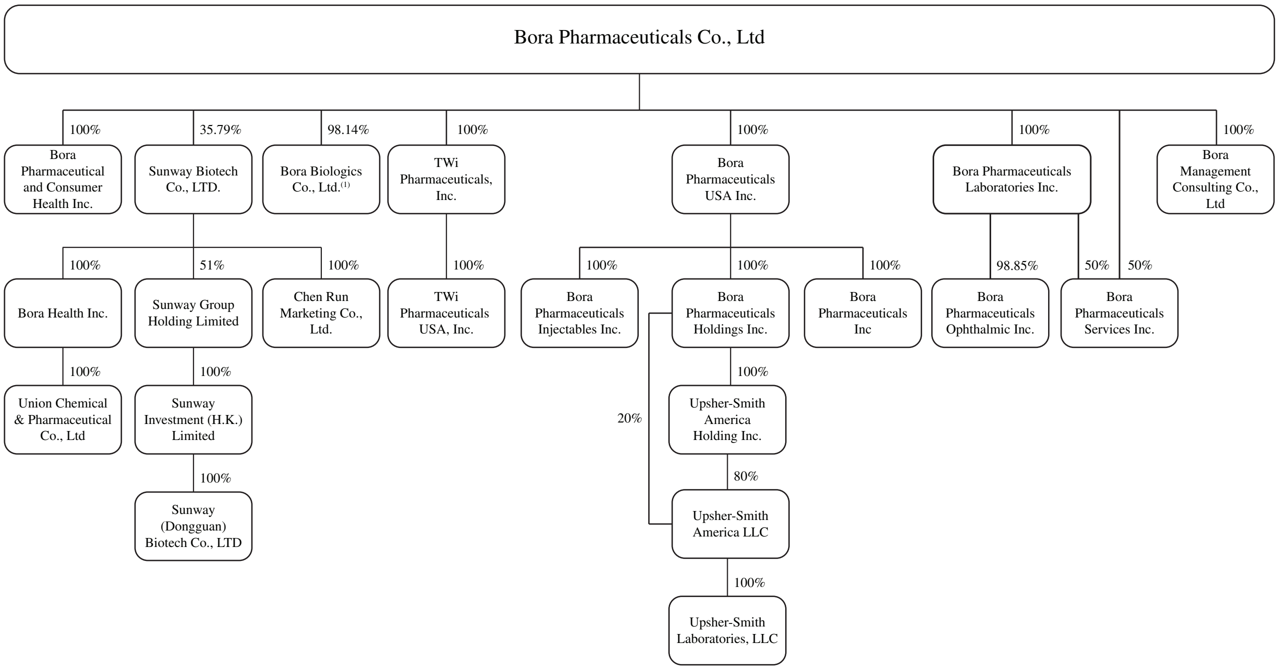
**Our strategies**

- Continue to integrate recent acquisitions into our operations
- Continuous implementation of a focused and disciplined M&A strategy that strengthens our core capacities and expand our global footprint
- Strengthen our R&D capabilities to support our business
- Increase investment in talent recruitment and development

## Corporate and other information

We were incorporated on June 12, 2007, under the Company Law of the Republic of China. Our principal executive offices are located at 6F, No. 2, Alley 36, Lane 26, Ruiguang Road, Neihu District, Taipei City 114, Taiwan, and our telephone number is +886-2-2790-1555. Our corporate website address is www.bora-corp.com. The information on our website is not a part of this Offering Circular.

Set forth below is an organizational chart depicting our principal subsidiaries as of August 21, 2024.




(1) See "—Recent developments" for transaction with Tanvex BioPharma, Inc.

## Recent developments

### *Estimates of preliminary unaudited consolidated operating revenue*

As announced on the Market Observation Post System, for July 2024, our preliminary unaudited consolidated operating revenue was NT$1,720,805 thousands, representing an increase of 61.1% over the monthly operating revenue of the same periods in 2023.

Our preliminary unaudited consolidated operating revenue for July 2024 is subject to adjustment, based on, among other things, our normal closing procedures. Actual figures could differ materially from the financial data provided above.

### *Strategic partnership with Tanvex BioPharma*

On August 27, 2024, our board of directors approved a transaction among us, Bora Biologics, and Tanvex BioPharma, Inc. ("Tanvex BioPharma", 6541.TW), pursuant to which Tanvex Biopharma will acquire Bora Biologics with shares of Bora Biologics being exchanged into Tanvex BioPharma's newly issued shares on a one-on-one basis. After the completion of this transaction, we will acquire approximately 30.5% of Tanvex BioPharma's outstanding shares and become its single largest institutional shareholder, and Bora Biologics will be merged into Tanvex BioPharma.

This transaction has been approved by the board of directors of Tanvex BioPharma but remains subject to the approvals of shareholders of Tanvex BioPharma and Bora Biologics, and the fulfillment of other customary closing conditions, including applicable regulatory approvals. We currently expect to consummate the transaction in February 2025. To strengthen the strategic partnership, we expect to nominate four directors (including two independent directors) to the board of directors of Tanvex BioPharma, with our chairman being nominated as the new chairman of Tanvex BioPharma.

Tanvex BioPharma is a leading company in the development of biosimilar drugs in Taiwan with a San Diego factory in the United States, which is a cGMP factory that has been inspected by the U.S. FDA. Tanvex BioPharma has rich experience in product development and commercialization, capable of not only commercially launching self-developed biosimilar drugs, but also supporting large molecule CDMO business in the U.S. market.

We will primarily conduct large molecule CDMO business through Tanvex BioPharma after the transaction. This strategic alliance focuses on the shared visions of both parties in the large molecule CDMO business and integrates the strong resources of both parties in the most efficient manner in response to recent industry trends and policy developments, such as the BIOSECURE Act in the United States, to take the lead in responding to the huge potential business opportunities such as the substantial increase in local production and customer demand due to relevant policies.

## THE OFFERING

*The following is only a summary that contains basic information about the Bonds and is not intended to be complete and is qualified in its entirety by reference to the summary of the terms of the Bonds provided in this Offering Circular under "Description of the Bonds." Capitalized terms used herein and not defined have the meaning given to them in "Description of the Bonds."*

**Issuer** .......................................... Bora Pharmaceuticals Co., Ltd.

**Offering**....................................... US$200,000,000 aggregate principal amount of Currency Linked Zero Coupon Convertible Bonds due 2029, being offered outside the United States (in reliance on Regulation S under the U.S. Securities Act) and the ROC in offshore transactions.

**Interest**........................................ The Bonds will not bear any interest.

**Lock-up** ....................................... We and certain of our directors and shareholders have agreed that from the date of this Offering Circular and until 90 days after the Issue Date (the "**Lock-Up Period**"), we will not, without the Initial Purchaser's prior written consent, lend, offer, sell, contract to sell, grant any option to purchase, pledge or otherwise dispose of any of our Common Shares or any securities convertible into, or exchangeable for, shares of our Common Shares (other than (A) the sale of the Bonds, (B) issuances of Lock-Up Securities (as defined in "Plan of Distribution") pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date hereof, (C) grants of employee stock options and employee restricted Shares pursuant to the terms of an employee stock option plan in effect on the date hereof of, (D) issuances of Lock-Up Securities pursuant to the exercise of such employee stock options referred to in clause (C), or (E) the preparation work for the purpose of effecting the potential Rights Issuance in the ROC, including attending filing with relevant regulatory bodies in the ROC and the disclosure by way of public announcement(s) relating to such potential Rights Issuance as required by such relevant regulatory bodies or under relevant laws of the ROC, provided that the ex-rights date in respect of such potential Rights Issuance shall fall only after expiry of the Lock-Up Period. See "Plan of Distribution."

**Issue Date**.................................... September 5, 2024.

**Maturity Date and Final Redemption** .............................. Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature, and the Issuer will redeem the Bonds, on September 5, 2029 at the Settlement Equivalent of 114.63% of the unpaid principal amount thereof.

**Issue Price**................................... 100% of the principal amount of the Bonds.

**Ranking**....................................... The Bonds will be our direct, unconditional, unsubordinated (but subject to a negative pledge, as described in "Negative Pledge" below) and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.

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| **Conversion** .................................. | Subject to certain conditions, each holder of the Bonds (a "**Bondholder**") will have the right during the Conversion Period (as defined herein) to convert its Bonds, in whole or in part (being US$200,000 in principal amount and integral multiples of US$100,000 in excess thereof), into Common Shares at anytime from December 5, 2024 to August 26, 2029 (or if the Bonds are called for redemption prior to the Maturity Date, on the date five Trading Days prior to the redemption date), provided, however, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period.<br><br>See "Description of the Bonds—6. Conversion" and "Risk Factors—Risks Relating to the Common Shares and the Bonds—There are limitations on the Bondholders' ability to exercise conversion rights."<br><br>Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Shares in book-entry form to the converting Bondholders for the purpose of trading the Common Shares on the TWSE. |
| **Conversion Price** ......................... | The conversion price will initially be NT$964.60 per share with a fixed exchange rate applicable on conversion of Bonds of NT$31.9620 = US$1.00. The conversion price will be subject to adjustments for, among other things, subdivision or combination of shares, bond issues, right issues, distributions, stock dividends, and other dilutive events. See "Description of the Bonds—6. Conversion—(C) Adjustments to Conversion Price." |
| **Settlement Equivalent**.................. | For the relevant Rate Calculation Date (as defined herein) in respect of any US Dollar-denominated amount payable in respect of the Bonds, means such US Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate of NT$31.9620 = US$1.00, and then converted back to US Dollar amount using the applicable Prevailing Rate (as defined herein) on such date. |
| **Early Redemption Amount** .......... | The Early Redemption Amount for each US$100,000 of Bonds is determined so that it represents for the Bondholder a gross yield of 2.75% per annum on a semi-annual basis. See "Description of the Bonds—8. Redemption, Repurchase and Cancellation—(B) Redemption at the Option of the Company." |
| **Redemption at the option of the Company**............................ | At any time on or after September 19, 2027, the Bonds may be redeemed at the option of us, in whole or in part, on not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents (as defined herein), at the Settlement Equivalent of the Early Redemption Amount on the date of redemption if the Market Price (as defined herein) for 20 of 30 consecutive Trading Days, the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the quotient of (i) the Conversion Price then in effect multiplied by Early Redemption Amount divided by (ii) US$100,000. |

At any time, we may also redeem the Bonds then outstanding at the Settlement Equivalent of the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and cancelled or converted is more than 90% of the principal amount originally issued. See "Description of the Bonds—8. Redemption, Repurchase and Cancellation—(B) Redemption at the Option of the Company."

**Additional Amounts** .................... Payment of principal of and premium and other amounts on the Bonds will be made without withholding or deduction for or on account of any taxes imposed by the ROC or such other jurisdiction in which the Company is then organized or resident for tax purposes or from or through which any payment on the Bonds is made unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will, subject to certain exceptions, pay such additional amounts on the Bonds as will result in the receipt by the Bondholders of the amounts which would otherwise have been receivable in the absence of any such deduction or withholding. See "Description of the Bonds—9. Taxation."

**Tax Redemption** .......................... If, as a result of certain changes relating to the tax laws in the ROC, we become obligated to pay Additional Amounts, we may at our option redeem the Bonds, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount; provided that such right cannot be exercised earlier than 60 days prior to the first date on which we would be obligated to pay Additional Amounts were a payment in respect of the Bonds then due. Notwithstanding the foregoing, Bondholders may elect not to have their Bonds redeemed and to forgo any Additional Amounts or reimbursement of additional tax. See "Description of the Bonds—8. Redemption, Repurchase and Cancellation—(C) Redemption for Tax Reasons."

**Repurchase at the Option of Holder** ...................................... Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right, at such Bondholder's option, to require us to repurchase in US Dollars all (or any portion of the principal amount thereof which is US$200,000 or any integral multiples of US$100,000 in excess thereof) of such Holder's Bonds, on September 5, 2027 at a repurchase price equal to the Settlement Equivalent of 108.54% of the outstanding principal amount thereof.

**Repurchase in the Event of Delisting** .................................. Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days (as defined herein) on the TWSE, each Bondholder shall have the right, at such Bondholder's option, to require us to repurchase, in whole or in part (being US$200,000 in principal amount and integral multiples of US$100,000 in excess thereof), of such Bondholder's Bonds on the Delisting Put Date, which shall not be less than 30 days nor more than 60 days after the Trustee mails to each Bondholder a notice regarding such delisting at the Settlement Equivalent of the Early Redemption Amount. See "Description of the Bonds—8. Redemption, Repurchase and Cancellation—(F) Repurchase of the Bonds in the Event of Delisting."

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| **Repurchase in the Event of Change of Control** | Unless the Bonds have been previously redeemed, repurchased and cancelled or converted, each Bondholder shall have the right, at such Bondholder's option, to require us to repurchase, in whole or in part (being US$200,000 in principal amount and integral multiples of US$100,000 in excess thereof), of such Bondholder's Bonds at the Settlement Equivalent of the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See "Description of the Bonds—8. Redemption, Repurchase and Cancellation—(G) Repurchase of the Bonds in the Event of Change of Control." |
| **Negative Pledge** | We will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Security (as defined herein) upon the whole or any part of its property, assets or revenues, present or future, to secure any International Investment Securities (as defined herein) or to secure any guarantee of or indemnity in respect of any International Investment Securities without making effective provision to secure the Bonds (1) equally and ratably with such International Investment Securities with a similar Security or (2) with such other security, guarantee, indemnity or other arrangement as shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined herein) of the Bondholders.<br><br>See "Description of the Bonds—3. Negative Pledge." |
| **Form and Denomination** | The Bonds will be issuable only in book-entry form and only in denominations of US$200,000 or any integral multiples of US$100,000 in excess thereof. The Bonds will be represented by the Global Bond. On the closing date of the Offering, we will deliver the Global Bond to the Common Depositary.<br><br>If (1) at any time the Common Depositary advises the Company in writing that it is at any time unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (3) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Company shall issue individual definitive bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond.<br><br>The Bonds will not be issuable in a bearer form. |
| **Settlement** | The Bonds have been accepted for clearance through Euroclear and Clearstream on a book-entry system. Settlement of the Bonds may take place through Euroclear and Clearstream in accordance with the settlement procedures applicable to debt securities in the Euromarket. |
| **Governing Law** | The Indenture and the Bonds will be governed by the laws of the State of New York. |
| **Trustee** | The Bank of New York Mellon, London Branch |

| | |
|---|---|
| **Principal Paying and Conversion Agent** | The Bank of New York Mellon, London Branch |
| **Registrar and Transfer Agent** | The Bank of New York Mellon SA/NV, Dublin Branch |
| **Listings** | We have received approval in-principle for the listing and quotation of the Bonds on the SGX-ST. Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. Admission of the Bonds to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our Company, our subsidiaries, our associated companies, the Bonds or the Shares. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Bonds are listed on SGX-ST. We have undertaken to list the Common Shares issued upon the conversion of the Bonds on the TWSE. The Common Shares will not be listed on the SGX-ST. |
| **Trading Market for Our Shares** | The only trading market for the Common Shares is the TWSE. Our shares have been listed on the Emerging Stock Board of the Taipei Exchange since October 2014, the Mainboard of the Taipei Exchange since April 2017 and the TWSE since December 2023 under the stock code "6472" |
| **Use of Proceeds** | The gross proceeds from this offering, before deducting underwriting commission and estimated offering expenses payable by us for this offering, will be US$200 million.<br><br>We intend to use the net proceeds from this offering to repay bank loans and other facilities. |
| **Transfer Restrictions** | This offering is being made pursuant to Regulation S under the U.S. Securities Act. The Bonds and our Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States (as defined in Regulation S under the U.S. Securities Act) in offshore transactions in reliance on Regulation S, and outside the ROC, in each case in accordance with any other applicable law. |
| **Delivery of the Bonds** | Delivery of the Bonds, against payment in same-day funds, is expected on or about September 5, 2024 (the "**Issue Date**"). |

## SUMMARY FINANCIAL DATA

The following tables present our summary financial information. The summary financial information as of and for the six months ended June 30, 2024 and years ended December 31, 2021, 2022, 2023 set forth below are qualified by reference to, and should be read in conjunction with, our consolidated financial statements included elsewhere in this Offering Circular. Our audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 and our unaudited consolidated financial statements as of and for the six months ended June 30, 2023 and 2024 have been prepared and presented in accordance with T-IFRSs.

| | For the year ended December 31, | | | | | | | For the six months ended June 30, | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | | 2024 | | |
| | NT$ | % | NT$ | % | NT$ | US$ | % | NT$ | US$ | % |
| | (In thousands, except for %) | | | | | | | | | |
| **Summary Consolidated Statements of Comprehensive Income Data:** | | | | | | | | | | |
| **Operating revenue** | 4,899,885 | 100% | 10,494,470 | 100% | 14,200,068 | 437,598.4 | 100% | 7,884,804 | 242,983.2 | 100% |
| **Operating costs** | (3,228,107) | (66%) | (7,581,695) | (72%) | (7,208,830) | (222,151.9) | (51%) | (4,427,645) | (136,445.1) | (56%) |
| **Gross profit** | 1,671,778 | 34% | 2,912,775 | 28% | 6,991,238 | 215,446.5 | 49% | 3,457,159 | 106,538.0 | 44% |
| **Operating expenses:** | | | | | | | | | | |
| Sales and marketing expenses | (178,361) | (4%) | (260,115) | (2%) | (447,093) | (13,777.9) | (3%) | (489,497) | (15,084.7) | (6%) |
| General and administrative expenses | (406,159) | (8%) | (601,406) | (6%) | (996,846) | (30,719.4) | (7%) | (1,043,464) | (32,156.1) | (13%) |
| Research and development expenses | (41,267) | (1%) | (129,078) | (1%) | (298,160) | (9,188.3) | (2%) | (289,532) | (8,922.4) | (4%) |
| **Total operating expenses** | (625,787) | (13%) | (990,599) | (9%) | (1,742,099) | (53,685.6) | (12%) | (1,822,493) | (56,163.1) | (23%) |
| **Operating Income** | 1,045,991 | 21% | 1,922,176 | 19% | 5,249,139 | 161,760.8 | 37% | 1,634,593 | 50,372.7 | 21% |
| **Other non-operating income and expenses** | | | | | | | | | | |
| Other revenue | 47,902 | 1% | 30,684 | – | 93,392 | 2,878.0 | 1% | 39,547 | 1,218.7 | 1% |
| Other gains and (losses) | (16,309) | – | (4,132) | – | (1,107,146) | (34,118.5) | (8%) | 197,115 | 6,074.4 | 2% |
| Finance costs | (53,616) | (1%) | (108,727) | (1%) | (171,239) | (5,277.0) | (1%) | (174,444) | (5,375.8) | (2%) |
| Share of (loss) of associates and joint ventures accounted for using the equity method | – | – | – | – | – | – | – | (165) | (5.1) | – |
| Bargain purchase gain | – | – | – | – | – | – | – | 798,705 | 24,613.4 | 10% |
| **Total non-operating income and (expenses)** | (22,023) | (1%) | (82,175) | (1%) | (1,184,993) | (36,517.5) | (8%) | 860,758 | 26,525.7 | 11% |
| **Net income before income tax** | 1,023,968 | 21% | 1,840,001 | 18% | 4,064,146 | 125,243.3 | 29% | 2,495,351 | 76,898.3 | 32% |
| Income tax expense | (274,332) | (6%) | (438,476) | (4%) | (992,225) | (30,577.0) | (7%) | (538,067) | (16,581.4) | (7%) |
| **Net income (loss)** | 749,736 | 15% | 1,401,525 | 14% | 3,071,921 | 94,666.3 | 22% | 1,957,284 | 60,316.9 | 25% |
| **Net income (loss) attributable to** | | | | | | | | | | |
| Stockholders of the parent | 749,736 | 15% | 1,391,916 | 13% | 3,030,142 | 93,378.8 | 21% | 1,887,952 | 58,180.3 | 24% |
| Non-controlling interests | – | – | 9,609 | – | 41,779 | 1,287.5 | – | 69,332 | 2,136.6 | – |

| | As of December 31, | | | | As of June 30, | |
|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | | 2024 | |
| | NT$ | NT$ | NT$ | US$ | NT$ | US$ |
| **(In thousands)** | | | | | | |
| **Consolidated Balance Sheets Data:** | | | | | | |
| Total current assets | 2,792,337 | 12,240,806 | 10,603,028 | 326,749.7 | 24,360,612 | 750,712.2 |
| Total non-current assets | 4,579,997 | 10,520,409 | 14,448,977 | 445,268.9 | 18,992,177 | 585,275.1 |
| Total assets | 7,372,334 | 22,761,215 | 25,052,005 | 772,018.6 | 43,352,789 | 1,335,987.3 |
| Total current liabilities | 1,841,122 | 10,495,523 | 8,229,061 | 253,592.0 | 20,402,535 | 628,737.6 |
| Total non-current liabilities | 2,378,671 | 7,125,236 | 5,057,133 | 155,843.9 | 10,566,360 | 325,619.7 |
| Total liabilities | 4,219,793 | 17,620,759 | 13,286,194 | 409,435.9 | 30,968,895 | 954,357.3 |
| Total equity | 3,152,541 | 5,140,456 | 11,765,811 | 362,582.8 | 12,383,894 | 381,630.0 |

## RISK FACTORS

*An investment in the Bonds involves significant risks. You should carefully consider the risks described below and the other information in this Offering Circular, including our consolidated financial statements and related notes, before you decide to buy the Bonds. If any of the following risks actually occur, our business, prospects, financial condition and results of operations could be materially harmed, the trading price of the Bonds could decline and you could lose all or part of your investment. In particular, any potential investor in, or purchaser of, Bonds should pay particular attention to the fact that we are governed by the legal and regulatory environment in the ROC, which in some respects, may differ from that which prevails in other countries.*

### Risks Relating to Our CDMO Business

**Our business largely depends on our customers' demand and spending on CDMO services, a reduction of which could have a material adverse effect on our business, financial condition, results of operations, and prospects.**

The prosperity of our business is chiefly tied to the number and size of CDMO contracts we maintain with our customers. Over the past several years, we have benefited from increasing demand for our services, driven by the steady expansion of the global pharmaceutical market, increasing R&D budgets of our customers, and a heightened willingness for outsourcing. However, there can be no assurance that these key drivers will continue to grow at the rates we have experienced. Any slowing or reversal of any of these trends could have a significant adverse effect on the demand for our services.

In addition to the foregoing industry trends, our customers' willingness and ability to utilize our services are also subject to, among other things, their own financial performance, changes in their available resources, their capacity to acquire in-house discovery, testing, development, their spending priorities, their budgetary policies and practices, their ability to comply with applicable laws, and their need to develop new pharmaceutical products, which, in turn, are dependent upon a variety of variables, including their competitors' discovery, testing, development and commercial manufacturing initiatives, anticipated market trends and clinical and reimbursement scenarios for specific products and therapeutic areas. Moreover, consolidation in the industries in which our customers operate may have an impact on such spending as they integrate acquired operations, including their R&D departments and their budgets. If, due to these or other factors, our customers reduce their spending on our services, our business, financial condition, results of operations, and prospects would be materially and adversely affected.

**The potential loss of existing key CDMO customers or any of our large contracts could materially and adversely affect our business, financial condition and results of operations.**

In 2021, 2022, 2023 and six months ended June 30, 2024, revenues generated from our global CDMO operations accounted for 89.9%, 45.7%, 34.9% and 33.4% of our revenues, respectively. If any of our key customers' ability to settle their trade receivables in a timely manner deteriorates, it may be unable, or it may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial default or delay of a customer's payment obligations may materially and adversely affect our cash flows, financial condition and results of operations. We also cannot assure you that we will be able to maintain long-term relationships with our key customers. Our customers, including these key customers, may delay, terminate, or reduce the scope of contracts for our services for a variety of reasons beyond our control, including:

- decisions to forego or terminate a particular project;
- lack of available financing, budget limits, or changing priorities;
- actions by regulatory authorities against us or our customers, or changes to regulatory requirements;
- failure to satisfy applicable safety requirements or efficacy criteria;
- adverse or unexpected data results or failure to pass customer audits;

- decisions to engage competitors' CDMO services or carry out the work in-house;

- release of a drug by any competitor of our customer that is sufficiently similar to our customers' drug;

- mergers of our customers that render our services unnecessary; and

- force majeure events.

In addition, we cannot assure you that we will be able to maintain or strengthen our relationships with our key customers and revenues from key customers that have accounted for significant sales in the past, either individually or as a group, may not reach or exceed historical levels in any future period. If there is a loss or a significant reduction of business from any of our key customers and we are unable to obtain suitable work orders of a comparable size and terms in substitution, our business, financial condition and results of operations may be materially and adversely affected.

**We operate in a highly competitive market, and if we do not compete effectively, our business, results of operations, financial condition and prospects could be harmed.**

The global pharmaceutical development and manufacturing services market is highly competitive and we expect this high level of competition to be increasingly fierce. As a global provider of outsourced pharmaceutical development and manufacturing solutions and services, we compete with other players in this market, such as full-service pharmaceutical outsourcing companies, contract manufacturers with different areas of focus and expertise, and large pharmaceutical companies offering third-party manufacturing services to fill their excess capacity. In addition, some pharmaceutical companies may elect to provide their own development and manufacturing services internally rather than outsourcing those functions to us or any of our competitors. We compete primarily on the basis of scientific expertise, knowledge and experience in research and development, availability of a broad range of equipment, technology availability, on-time delivery, regulatory compliance, cost-effective services and financial stability.

Some of our competitors may have substantially greater financial, marketing, technical or other resources than we do. Greater financial, marketing, technical or other resources may allow our competitors to respond to changes in market demand more quickly with new, alternative, or emerging technologies. Changes in the nature or extent of our customer requirements may render our service and product offerings obsolete or non-competitive. In addition, our competitors may improve the performance of their services, introduce new services at lower prices and with improved performance characteristics. Furthermore, increased competition could create pricing pressure on our services, which could reduce our revenue and profitability. There is no assurance that we will be able to compete effectively with existing competitors or new competitors or that the level of competition will not adversely affect our business, results of operations, financial condition and prospects.

**We are exposed to service and product liability risks and other potential liabilities in connection with our CDMO services.**

In providing CDMO services, we face a range of potential liabilities. We typically undertake to defend, indemnify, and hold our customers harmless from and against any liabilities and damages resulting from any third-party claims, demands, suits, or proceedings to the extent arising out of or relating to our negligence, willful misconduct, unlawful activities or material breach of the long-term service agreement or project-based service contract or a work order under the long-term service agreement. Our liability is not always capped under our service agreements, and in certain cases, the liability cap may not be applicable for claims relating to personal injuries or death.

Furthermore, we are subject to significant product liability risks that are inherent in the design, development and manufacturing of our products, including, but not limited to, claims for personal injury, wrongful death, failure to warn, design and manufacturing defects and loss of consortium. In addition, we are also subject to product recalls either for defects in our products or defects from any of our suppliers.

In the past, we have been subject to product recall. We have also been alleged for negligence claims and wrongful death. Although the courts had ruled in our favor in the past, the costs we incurred in relation to such litigations were significant and there can be no assurance that we will prevail every time when such litigations may arise in the future. Especially, as we push new products into the market, we may experience increases in product liability claims against us. Although we maintain an insurance program in amounts and on terms we believe are reasonable and prudent given our business and related risks, those claims may exceed our policy limits or our coverage might deny us of recovery, which would have a material adverse effect on our financial conditions and results of operations.

**Contract delays, cancellations and non-renewals may adversely affect our business.**

Although we have many long-term contracts, the volume under each contract is subject to change, sometimes significantly based on the expected forecast volume required by our customers. In addition, certain of our contracts may be cancelled or delayed by customers for certain reasons upon notice, and we may not be able to find substitute customers in a timely manner. Even if we do find substitute customers, their demands may be different. Multiple cancellations, non-renewals, or renewals on less favorable terms of significant contracts could have a material adverse effect on our business, results of operations and financial condition.

**Our production facilities are subject to various jurisdictions' certification requirements, which may increase compliance costs and uncertainties.**

To serve customers internationally, we are required to comply with different certification rules and requirements of those jurisdictions, including but not limited to the U.S FDA, UK MHRA, Health Canada, PMDA, PIC/S GMP, and TFDA, when producing drugs and fulfilling orders. Such standards contain minimum requirements for the quality controls used in manufacturing, processing, and packaging of a drug product. Complying with these standards is a basic requirement in the pharmaceutical industry and an expensive, difficult, time-consuming and highly technical process, and pharmaceutical companies that do not meet the certification are not allowed to continue producing drugs.

Our ability to manufacture generic drugs depends on our ability to ensure facility integrity and compliance with all aspects of each jurisdiction's standards. For instance, while our Tainan Guantian facility, Zhunan facility, Taoyuan facility, Zhongli facility and Canadian facility have all passed the PIC/S GMP inspection in the past, we cannot assure you we will meet all PIC/S GMP requirements in the future. Similarly, while our Upsher-Smith's facilities, Canadian facility, Zhunan facility and Zhongli facilities have all passed the U.S. FDA certifications in the past, we cannot assure you we will meet all U.S. FDA requirements in the future. In addition, each jurisdiction's certification requirements varies, and we cannot assure you that compliance with one jurisdiction will lead to compliance in all jurisdictions where we serve. Inspectors determine whether a manufacturer has the necessary facilities, equipment, and skills to manufacture the drugs which it has applied for approval. Regulatory determinations regarding compliance with these standards are based upon inspection of the facilities, sample analyzes, and compliance history of the manufacturer. This information is summarized in reports which represent several years of history of the manufacturers. A determination that we are in violation of certification requirement, in addition to interruption of our productions, may lead to fines, contractual damages, product recalls or product seizures and criminal sanctions. Any such instances may result in import bans, regulatory proceedings and criminal lawsuits, all of which will require us to devote significant resources and attention to address, and will materially adversely affect our business, reputation, financial position and results of operations.

**We may not be successful in protecting our CDMO customers' intellectual property**

Our commercial success depends on the protection of our customers' and our own intellectual property. We rely on our own know-how, trade secrets and other intellectual property to carry out our development and manufacturing activities. In addition, due to the nature of our services, we typically have access to a significant amount of know-how, intellectual property and even trade secrets owned by our customers. Our customers typically retain ownership of all intellectual property associated with their projects, including the intellectual property provided to us and the intellectual property arising from the services we provide, except for intellectual property created or developed in connection with the provision of our services that is derivative of our own intellectual property or that relates to manufacturing processes developed at our expense.

Finally, we require our employees and relevant other third parties to enter into confidentiality agreements prohibiting them from disclosing our customers' proprietary information or technology. However, these agreements may not provide meaningful protection for our customers' trade secrets and proprietary know-how as relevant parties may breach these agreements, which is out of our control. Any failure to protect our customers' intellectual property may subject us to liability for breach of contract, as well as significantly damage our reputation, which is fundamental to our business. This failure may materially harm our business, financial condition, results of operations and prospects, and any remediation may significantly divert management's attention and resources from other activities. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and R&D staff could outweigh any benefit we receive as a result of the proceedings, and our financial conditions and results of operations may consequently suffer.

**Third parties might allege that we or our CDMO customers infringe on their intellectual property rights. Our CDMO customers may have sold or manufactured, or might choose to sell or manufacture, products before final resolution of outstanding intellectual property disputes. Consequently, we could be prohibited from manufacturing certain products and might face liability for damages in the United States and other markets where we operate.**

Our ability to introduce new products in the generic drug sector largely depends on our success in challenging third-party patent rights or our ability to develop non-infringing products, which will face challenges from third parties. In addition, as part of our CDMO operations, we manufacture drugs for our customers. Even though we push customers to give us representations that our services will not infringe on third parties' intellectual property rights, there can be no assurance such representation will hold up every time. As a result, we are exposed to litigations, claims and proceedings, alleging our own drugs or our customers' drugs infringing on other parties' intellectual property rights where we will be named as co-defendants. These litigations, claims and proceeding could preclude or delay the commercialization of our products or disrupt our production targets in the ordinary course of our business. Our customers may also decide to sell or manufacture a product even if patent litigation is ongoing, either before a court decision is made or while appellate review is ongoing. The outcome of such litigation could materially and adversely affect our financial conditions and results of operations.

If our customers continue selling the products or we continue manufacturing customers' products before a final court decision and the decision is unfavorable to us, our customers may be required to stop selling and we may be required to stop manufacturing the infringing products. This could result in a loss of future revenue and substantial liabilities for patent infringement, such as payments for the innovator's lost profits or a royalty on our sales of the infringing products. These damages could be significant and materially impact our business. In the United States, willful infringement findings can result in damages up to three times the patent owner's lost profits. Even if we avoid damages or the damages are ultimately born by our customers in CDMO businesses, we may still incur significant legal and related expenses defending against infringement claims with our management's attention diverted to such disputes, which would have a material adverse effect on our financial conditions and results of operations.

**Risks Relating to Our Commercial Sale Business**

**We may not adapt quickly in the highly fluid and rapid generic drugs sector.**

Legislative proposals emerge from time to time in various jurisdictions to further encourage the early and rapid approval of generic drugs. While such proposals may benefit our product pipeline, they could also increase competition and have negative effect on our sales. In addition, prices of generic drugs typically decline drastically especially as additional generic pharmaceutical companies receive approvals and enter the market for a given product. We may not be able to quickly adjust both our development and pricing strategies in this fluid market. In addition, competitors may respond more quickly to legislative shifts and their generic drugs may also be safer, more effective, more effectively marketed or sold, or have lower prices or better performance features than ours. We cannot predict with certainty the timing or impact of competitors' products. As such, our ability to sustain our sales and profitability of any product over time is dependent on both the number of new competitors for such product and the timing of their approvals.

**Significant portion of our revenue depends on our generic drugs, whose registration and renewal may be challenging.**

In 2021, 2022, 2023 and the six months ended June 30, 2024, our commercial sale businesses consist of 10.0%, 54.2%, 65.0% and 66.6% of our total revenue. All generic drugs require product registration before being sold and supplied in the United States, Taiwan and many overseas countries. The registration requirements for these products vary by jurisdiction and therapeutic categories. As of June 30, 2024, our subsidiary Twi Pharmaceutical sold over 20 generic drugs in the United States and have 6 ANDA submissions pending for approval. Complying with these product registration, approval processes and product license requirements requires sophisticated facilities and significant initial investments and on-going costs. The process for drug registrations has also become increasingly demanding and we may not be able to receive approval to our pending ANDAs despite our best efforts. In addition, regulatory regimes and their implementations are becomingly increasingly stringent and there is no assurance that we can continue to comply with such registration and approval requirements.

**We rely on the performance of a small group of key drug products in order to achieve profitability and maintain, or increase, our revenue.**

In 2021, 2022, 2023 and the six months ended June 30, 2024, significant portion of our revenue from our global commercial sale business relied on a small group of key drug products. We expect sales of our key drug products to continue to generate a significant portion of our revenues in future periods. Any decrease in the demand or pricing for our key drug products could cause our revenue and profitability to decline, and any increase in the number of new market entrants for our key drug products could cause loss of our market share and subject us to pricing pressure, all of which may adversely affect our business, financial condition, results of operations and prospects. Factors that could lead to such decline include, but are not limited to, increased competition, unfavorable outcomes in litigations related to our drug products, cost of our drug products relative to alternative treatments and new stringent regulatory requirements. Accordingly, should there be any decline in the revenue from these key drug products, any failure by us to improve, upgrade, enhance or optimize these drug products in a timely manner or at all, or any other adverse developments to these key drug products, our business, financial condition and results of operations could be materially and adversely affected.

**We rely on distributors to sell our commercial products and the failure to maintain stable relationships with our distributors may have a material adverse effect on us.**

We sell various dosage forms such as tablets and capsules to medical centers, corporate hospitals, public hospital and regional hospitals. Our distributors are responsible for the sale, marketing and logistical services for products they purchase from us in the territory they distribute. In case agreements with our distributors are terminated, we may need to incur additional costs to increase our sales and marketing footprint and we may need to look for alternative distributors to distribute our products. In addition, we may have difficulty managing how distributors market and compare our products, and their actions may reflect negatively on us or our brands. Thus, our failure to maintain stable relationships with our distributors may have a material adverse effect on our business, financial position and results of operations.

**We may not be able to successfully research, develop and offer new commercial products, which is essential to our success.**

In order to compete successfully, we need to offer and develop our pipeline of self-labeled drugs and other new commercial products to meet the changing demand of patients. Without the timely introduction of enhanced or new commercial products, our existing commercial products and capabilities may become obsolete over time, in which case, our revenues and operating results would suffer. In 2021, 2022, 2023 and the six months ended June 30, 2024, we have offered several new services, including launching generic drugs covering additional therapeutic areas and new OTC brand medicine. For details, see "Business—Our Strategies." Successful offering of new services depends on several factors, including but not limited to our ability to:

- properly anticipate and satisfy patient needs, including increasing demand for lower-cost products and demand for niche therapeutic areas;

- enhance, innovate, develop and deliver new 505(B)(2) offerings in an economical and timely manner;

- differentiate our 505(B)(2) product offerings from competitors' offerings;
- achieve positive clinical outcomes for our new products;
- meet quality requirements and other regulatory requirements of government agencies;
- obtain valid and enforceable intellectual property rights; and
- avoid infringing the proprietary rights of third parties.

Even if we were to succeed in creating enhanced or new commercial products, we may not receive regulatory approvals timely to meet the market demands. Even if we were able to enter the market, those products may not result in commercially successful offerings or may not produce revenues in excess of the costs of development and capital investment and may be quickly rendered obsolete by changing patient preferences or by technologies or features offered by our competitors. In addition, innovations may not be accepted quickly due to, among other things, entrenched patterns of industry practice, the need for regulatory clearance and uncertainty over market access or government or third-party reimbursement. Moreover, the integration of our recent and future acquisitions could compound the challenges of integrating complementary products, services and technologies and developing and offering new services.

**We may have difficulty in recruiting subjects for clinical trials.**

Our clinical trials require a continuous process of subject recruitment, treatment, and follow-up observations. Identifying, screening, and enrolling suitable subjects to participate in clinical trials is critical to the success of the clinical trial, and we may not be able to identify, recruit, and enroll a sufficient number of subjects with the required or desired characteristics to complete our clinical trials in a timely manner. We may have difficulty enrolling subjects, for example, if there are ongoing clinical trials for similar products. The timing of our clinical trials depends on our ability to recruit subjects to participate as well as to subsequently use medicine on such patients and healthy volunteers and complete required follow-up periods. We may also experience enrollment delays related to increased or unforeseen regulatory, legal, and logistical requirements at certain clinical trial sites. Prolonged regulatory review and contractual discussions with individual clinical trial sites may cause such delays.

**Clinical drug development involves a lengthy and expensive process with an uncertain outcome. We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.**

As we continue to advance in the 505(B)(2) space and move towards self-developed pharmaceutical drugs, such clinical development process is expensive and can take many years to complete, and its outcome is inherently uncertain, especially for those that involve many institutions in different regions. Failure can occur at any time during the clinical trial process. The results of pre-clinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials. In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same drug candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen and other trial protocol elements and the rate of dropout among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to differences in the number of patients, clinical trial sites, countries and regions and populations involved in such trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Our future clinical trial results may not be favorable. Accordingly, we make no assurances that we will be able to develop, enhance or adapt to new formulations and methodologies for our new drugs according to plans. When we encounter significant obstacles, including but not limited to, obstacles in testing, new regulatory requirements, shifts in market landscape, delays in development timelines, lack of stable suppliers or cost management, we may have no choice but to halt development, withdraw applications, downscale operations or employ other mitigating measures to limit our exposure and pivot to other avenues. However, the significant amounts of human and capital resources already invested cannot be recouped, which would have a material adverse effect on our financial conditions and results of operations.

Even if our future clinical trial results show favorable efficacy and impressive durability, not all patients may benefit. For certain drugs and in certain indications, it is likely that the majority of patients may not respond to the agents at all, and some responders may relapse after a period of response. As a result, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates, which may have a material adverse effect on our financial conditions and results of operations.

**Both our generic and brand competitors might strategize legal and legislative avenues, such as "authorized generics", and this may increase the costs of introducing or marketing our generic products. These strategies could delay or prevent generic product introductions and adversely affect our financial conditions and results of operations.**

Our competitors, both branded and generic, often pursue strategies that could prevent or delay generic alternatives to branded products. These strategies include, but are not limited to:

- entering into agreements whereby other generic companies will begin to market an authorized generic, which delays or disrupts our entrance;

- filing suits for patent infringement and other claims that may delay or prevent regulatory approval, manufacture, and/or sale of generic products;

- filing petitions with the FDA or other regulatory bodies seeking to prevent or delay approvals, including timing the filings so as to thwart generic competition by causing delays of our product approvals;

- seeking to establish regulatory and legal obstacles that would make it more difficult to demonstrate bioequivalence or to meet other requirements for approval, and/or to prevent regulatory agency review of applications; and

- persuading regulatory bodies to withdraw the approval of brand-name drugs for which the patents are about to expire and converting the market to another product of the brand company on which longer patent protection exists.

For instance, our patent-holding competitors often file infringement lawsuits against us immediately upon our submission of a Paragraph IV challenge and will enjoy an automatic 30-month stay of FDA approval for the generic product, which would allow our competitors to maintain market shares for an extended period. In particular, Merck filed a patent infringement litigation against our subsidiary TWi Pharmaceuticals in June 2024, arising out of TWi Pharmaceutical's submissions of ANDAs to FDA to challenge Merck's patents and seek approval to manufacture and sell generic version of Merck's drug "MAVENCLAD," which treats multiple sclerosis in adults. On the other hand, we as the patent holders often file infringement lawsuits against the Paragraph IV challengers to acquire the benefit of the stay while preparing the challengers' claims. The infringement suits are long and technical, and we may not always obtain the results in favor, either in court rulings or settlements, whether we are the challenger or the challenged. Accordingly, if competitors or other third parties successfully employ their strategies in preventing or delaying the approval, manufacture, or distribution of our products or if we fail in preventing or delaying to approval, manufacture or distribution of their products, our market entry and ability to generate revenue from new or existing products may be delayed, reduced, or eliminated, which would have a material adverse effect on our financial conditions and results of operations.

**We may not be successful in protecting our own intellectual property for our commercial products**

For our own intellectual property, including intellectual property we may develop in the future, our competitors may challenge, infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, we may be required to take various actions, such as filing infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us, alleging deficiencies in our patents or infringement on our part. In addition, in a patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to preclude the other party from using the invention at issue. There is also a risk that, even if the validity of our patents is upheld, the court will construe our patent claims narrowly or decide that we do not have the right to preclude the other party from practicing the invention at issue on the grounds that our patents do not cover the invention. An adverse outcome in litigation or other quasi-judicial proceedings involving our patents or other intellectual property could limit our ability to assert our patents against those parties or other competitors and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive solution, which would have a material adverse effect on our financial conditions and results of operations. Accordingly, any failure to protect our own intellectual property may severely disrupt our business operation and reduce or eliminate any competitive advantage we have developed.

For example, our drugs may be subject to a Paragraph IV challenge. When we file an infringement suit against the challenger, this entitles us to a stay of the challenger's approval of the ANDA pending the outcome of the suit up to 30 months, subject to adjustment. However, the challenger may also file a counterclaim, argue invalidity of our patent, argue non-infringement, argue patent-misuse or otherwise force us into settlement. We may not always prevail when faced with such a challenge and this may bring material adverse effect on our results of operations and financial conditions when the challenger prevails.

**We are subject to antitrust lawsuits out of our commercial sale products related to competition and pricing in the United States and around the world, which may expose us to significant damages and commercial restrictions that can materially and adversely affect our financial conditions and results of operations.**

We have been and may in the future be subject to investigations, claims and proceedings relating to price fixing and violations of related antitrust laws and regulations in connection with our acquired businesses. For example, our subsidiary USL, which was acquired in April 2024, is currently a defendant to claims brought by state officials and private plaintiffs in the United States and by private plaintiffs in Canada alleging that USL, together with other pharmaceutical companies, systematically engaged in conspiracies to fix prices and willfully allocate market share of generic products to the detriment of consumers in the United States and Canada, prior to our acquisition of USL. If any judgments were to be adversely determined against us in this litigation or any future litigations, for violations related to antitrust laws and regulations that may arise in the future, we may face material adverse effects on our business, including monetary penalties, stop-sale orders on our products, our future prospects, diversion of our management's attention and our resources, debarment from federally funded health care programs and reputational harm. Even if we manage to avoid an adverse judgment against us in this litigation and reach settlement agreements with the state officials and private plaintiffs, we may still bear the ultimate cost of the settlements, which may in turn materially and adversely affect our financial conditions and results of operations.

This litigation, and any future action of this nature, brought against us, with or without merit, may result in administrative measures, settlements, injunctions, fines, penalties, negative publicity, or other results that could have material adverse effect on our reputation, business, financial condition, results of operations, and prospects. Even if we are successful in defending ourselves against these actions, we may incur significant costs and divert management's attention and resources in such defense.

In addition, for our future acquisitions, we may not be able to identify antitrust issues or negotiate adequate indemnity. We have acquired and make additional acquisitions that are subject to antitrust liabilities at the time. Generally, it is not feasible for us to review in detail every corner of the target in a potential acquisition. Even a detailed review of antitrust issues may not reveal all existing or potential problems, not would it permit us to become sufficiently familiar with the intricacies of antitrust to assess fully the liabilities. Potential problems, such as future opportunities on price-fixing and collusion, are not necessarily observable even when we perform detailed due diligence. Any unidentified antitrust issues could result in material liabilities and costs that adversely impact our financial condition and results of operations. Even if we are able to identify antitrust issues with an acquisition, the seller may be unwilling or unable to provide effective contractual protection or indemnity against all or part of these issues. Even if a seller agrees to provide indemnity, the indemnity may not be fully enforceable or may be limited by floors and caps, and the resources of such seller may not be adequate to fulfill its indemnity obligation, which will significantly limit our ability to recover our costs and expenses. We could then be required to resolve or cure such liabilities on our own. Any limitation on our ability to recover the costs related any potential problem could have a material adverse impact on our financial condition and results of operations.

There is also continued attention on private patent and other intellectual property arrangements such as the "pay for delay" patent settlement schemes that we previously engaged in, from the state attorney generals, U.S. Federal Trade Commission, U.S. Department of Justice and other relevant authorities. We may receive formal or informal requests from competition law authorities in the United States and around the world for information about a particular settlement agreement, and there is a risk that governmental authorities, customers, or others may commence actions against us alleging violations of antitrust laws based on our settlement agreements. Such actions create a risk of significant potential exposure for settling patent litigations, which would have a material adverse effect on our financial conditions and results of operations.

**Risks Relating to Our Business Generally**

**Our services and offerings are highly complex, and if we are unable to provide high quality services and offerings to our customers or if our services do not meet our customers' evolving needs, our business could suffer.**

The services we offer are highly customized, exacting and complex, due in part to strict regulatory requirements and high customer standards. Our operating results depend on our ability to execute and, when necessary, improve our quality management strategy and systems, and our ability to effectively train and maintain our employee base with respect to quality management. We have quality control function consisting process control, change and quality records control in our QA system. A failure of our quality control systems in our new and existing business units and facilities could result in problems with facility operations or preparation or provision of products. In each case, such problems could arise for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials or manufacturing operations, operator error, and failure to compliance with regulations strictly enforced by relevant government. Such problems could affect our production process, requiring the destruction of such products or a halt of facility production altogether.

In addition, our failure to meet required quality standards may result in our failure to timely deliver high quality products to our customers, which in turn could damage our reputation for quality and service and business relationship with our customers. Any such failure could, among other things, lead to increased costs, lost revenue, reimbursement to customers for lost drug product, registered intermediates, registered starting materials, other customer claims, damage to and possibly termination of existing customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other products. If problems in preparation or manufacture of a product or failures to meet required quality standards for that product are not discovered before such product is released to the market, we may be subject to adverse regulatory actions, including product recalls, product seizures, injunctions to halt manufacture and distribution, restrictions on our operations, civil sanctions, including monetary sanctions, and criminal actions. In addition, such problems or failures could subject us to litigation claims, including claims from our customers for reimbursement for the cost of lost or damaged APIs, the cost of which could be significant.

**We may not be successful in developing new technologies and improving existing technologies to maintain our competitive position.**

The global pharmaceutical outsourcing service industry as well as the commercial sale industry are characterized by rapid technological changes. Demand for our services and commercial sale products may change in ways that we may not be able to anticipate because of evolving industry standards or as a result of evolving customer and patient needs that are increasingly sophisticated and varied or because of the introduction by competitors of new services and technologies. To maintain our technological capabilities in our global CDMO operations and to explore new boundaries in our commercial sale operations, we have invested significant amounts of capital and resources into our research and development activities. In 2021, 2022, 2023 and the six months ended June 30, 2024 our research and development expenses were NT$41.2 million, NT$129.0 million, NT$298.2 million and NT$289.5 million, respectively. We must continue to invest significant amounts of human and capital resources to maintain, develop or acquire technologies that will allow us to enhance the scope and quality of our services. However, we cannot assure you that we will be able to maintain, develop, enhance or adapt to new technologies and methodologies. Any failure to do so may make our techniques and services obsolete, which could significantly reduce demand for our services and harm our business and prospects.

Developing new technologies and improving existing technologies requires a significant amount of capital investment and involves substantial uncertainties. Even if we manage to successfully develop new technologies or optimize existing technologies after we spend significant time and efforts on research and development, we cannot guarantee you that we will be able to generate sufficient return on our investment. As a result, we may incur substantial losses from our investment in research and development activities and our future business, results of operations, financial condition and prospects could be materially and adversely affected.

**We may not be able to consistently attract, train, motivate and retain highly skilled scientists and other technical personnel, which our success depends on.**

Our success depends, to a significant extent, on our team of scientists and other technical personnel and their ability to deliver high-quality and timely services to our customers and keep abreast of cutting-edge technologies and developments in pharmaceutical market. As of June 30, 2024, more than 70% of our research and development staff hold a master's degree or higher. We compete vigorously with pharmaceutical and biotechnology companies, other CDMO companies and research and academic institutions for qualified and experienced scientists and other technical personnel. Our customers emphasize Western-trained scientists with experience at renowned pharmaceutical or biotechnology companies. As a result, such scientists are in demand by our competitors and we may face challenges in attracting and retaining skilled scientists and other technical personnel. We may not be able to hire and retain sufficient skilled and experienced scientists or other technical personnel at our current level of compensation. As a result, we may need to offer higher compensation and other benefits, which could materially and adversely affect our profit margin, financial condition and results of operations. In addition, we may not be successful in training our professionals to keep pace with changes in customer needs and technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

**Our acquisition and investments may not achieve the anticipated synergy or improve our results of operations.**

We have grown our business in part through acquisitions to expand our service offerings, research and development capacity and operating scale. We anticipate that a portion of our future growth may come from targeted acquisitions to expand our current capabilities and service offerings. We have made strategic acquisitions and will continue to acquire new businesses to complement our service offerings and expand our global footprint. We devote significant resources to the restructuring and integration of our operations in order to achieve the anticipated synergies and benefits of acquisitions. Such integration of our acquired businesses may expose us to certain risks, such as the anticipated and unforeseen costs, expenses, and liabilities (including latent or potential liabilities that relate to the time prior to our acquisition), difficulties in integrating the acquired businesses in a timely and cost-effective manner or maintaining standard control policies and procedures across our businesses, difficulties in establishing effective management information and financial control systems, and unforeseen legal, regulatory, contractual or other issues.

Moreover, the success of any acquisition will depend upon, among other things, our ability to effectively integrate acquired personnel, operations, products, and technologies into our business and to retain the key personnel and customers of our acquired businesses. In addition, we may be unable to identify suitable acquisition opportunities or obtain any necessary financing on commercially acceptable terms. We may also spend time and money investigating and negotiating with potential acquisition targets but not complete the transaction.

Any acquisition could involve other risks, including, among others, the assumption of additional liabilities and expenses, difficulties and expenses in connection with integrating the acquired companies and achieving the expected benefits, issuances of potentially dilutive securities or interest-bearing debt, loss of key employees of the acquired companies, transaction expenses, diversion of management's attention from other business concerns and, with respect to the acquisition of international companies, the inability to overcome differences in international business practices, language, and customs. Our failure to successfully integrate potential future acquisitions could have an adverse effect on our business, financial condition, results of operations, and cash flows. If we fail to successfully integrate recent and potential future acquisitions or restructure our businesses, there may be an adverse effect on our business, financial condition, and results of operations. Furthermore, we may fail to realize anticipated returns from our future acquisitions, business restructurings, and integrations and may incur significant acquisition-related charges to earnings and dilution to our shareholders.

**Our acquisitions may subject us to potentially significant litigation costs and liabilities**

Our acquired companies and future acquisition targets have been and may in the future be subject to investigations, claims and proceedings relating to patent infringements, antitrust disputes or other matters, whether as a plaintiff or defendant, which may be hard to accurately gauge the full extent of exposure at the time of acquisitions. The outcome of such legal proceedings is inherently uncertain. Any adverse outcome of any of the ongoing or, if any, future proceedings could subject us to substantial monetary liability and have a material adverse effect on our operating results and financial position. If we fail in such disputes, this may significantly affect our acquirees' cash flows, operations or product availability and bring significant disruptions to our overall strategy and goal with the acquisitions. Even if we may obtain indemnity in relation to such disputes at the time of our acquisitions, the indemnity amount may be limited by floors and caps and thus unable to cover the full judgment amount or settlement amount, the indemnity itself might not be enforceable, or the resources of such seller may not be adequate to fulfill its indemnity obligation. Even if we ultimately obtain adequate indemnity, the indemnity alone might not be sufficient as the reputation of our acquiree and our overall image as a new acquirer may be irrevocably harmed. If we ultimately end up prevailing in such disputes, we may still have to spend significant amount of human and capital resources to respond to such disputes after completion of our acquisitions, which would have a material adverse effect on our financial conditions and results of operations.

**Doing business with overseas customers and operating business internationally subject us to a number of economic, political, geopolitical, regulatory, operational and management risks.**

In 2021, 2022, 2023 and six months ended June 30, 2024, most of our CDMO services and commercial sales products were offered outside of Taiwan. Outside of Taiwan, we also have subsidiaries in the U.S., China, Malaysia and Canada. In 2021, 2022, 2023 and six months ended June 30, 2024, 86.8%, 91.9%,92.6% and 90.2% of our revenues were sold or provided to customers outside of Taiwan. Our customers or our operations outside Taiwan could be substantially affected by foreign economic, political and regulatory risks. These risks include but are not limited to:

- fluctuations in currency exchange rates;
- the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- customers in certain foreign countries potentially having longer payment cycles;
- changes in local tax laws, tax rates in certain countries that may exceed those of Taiwan and lower earnings due to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- seasonal reductions in business activity;
- the credit risk of overseas customers;
- local laws related to, and relationships with, local labor unions and works councils;
- a rising trade protectionism, a decline in world trade or a downturn in the economy of the United States, United Kingdom or the European Union;
- non-compliance with applicable currency exchange control regulations, transfer pricing regulations or other similar regulations;
- violations of the Foreign Corrupt Practices Act and the U.K. Anti-Bribery Act by acts of agents and other intermediaries over whom we have limited or no control;
- violations of regulations enforced by the U.S. Department of The Treasury's OFAC;
- general economic and political conditions; and
- our limited experience in operating business in foreign countries, such as internal management experience in managing overseas employees with diversified cultures and customs.

In particular, since 2024, geopolitical tensions between mainland China, the United States and Taiwan have escalated, heightening risks for global markets and businesses. The United States has intensified its regulatory scrutiny on Chinese pharmaceutical companies, citing national security concerns, while Taiwan remains a focal point of contention, with increased state actions and probing in the Taiwan strait. These developments may lead to supply chain disruptions, market volatility, and increased compliance costs for companies operating in affected regions.

While some of these risks can be hedged using derivatives or other financial instruments, such attempts to mitigate these risks are costly and not always successful. If any of these economic or political risks materializes and we have failed to anticipate and effectively manage them, we may suffer a material adverse effect on our business and results of operations. If we do not remain in compliance with current regulatory requirements or fail to comply with future regulatory requirements, then such non-compliance may subject us to liability or other restrictions upon our operations and could have a material adverse effect on our business and results of operations.

**We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.**

We may need additional capital, aimed to expand our capacity, develop new services and remain competitive. We expect to meet such capital commitments by using cash from operations, proceeds from our convertible bonds offering and bank borrowings available to us. However, financing may be limited in amounts or on terms acceptable to us. Our ability to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities by CDMO companies, and economic, political and other conditions in ROC, the United States or globally where we have operations. The issuance of additional shares or conversion of convertible bonds could lead to dilution to the existing shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants restricting our operations or our ability to pay dividends, which may adversely impact our business, financial conditions and results of operations.

**We are subject to risks associated with indebtedness, which may materially adversely affect our ability to raise additional capital to fund our operations, expose us to liquidity risk, expose us to increased risk of default and foreclosure, and limit our flexibility in conducting our business.**

We have entered into credit agreements with various lenders in the course of our business and in connection with our acquisitions. Our indebtedness, among other consequences, could:

- require us to dedicate a substantial portion of our cash flows from operations to interest and principal payments on our indebtedness, reducing the availability of our cash flows for other purposes, such as capital expenditures, acquisitions and working capital;
- make it difficult for us to timely satisfy our obligations under these agreements, thus exposing us to the risk of default, which may in turn affect our ability to operate as a going concern;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes;
- limit our ability to borrow additional funds; and
- place us at a disadvantage compared to our competitors that have less debt.

Furthermore, we have pledged a portion of lands, buildings, investment properties and ownership interests in our operating subsidiaries in connection with those agreements. For example, pursuant to the pledge agreements with CTBC Bank Co., Ltd. New York Branch ("CTBC"), we pledged shares of USL, Bora Pharmaceuticals Holdings Inc. (parent of USL) and TWi Pharmaceuticals in favor of CTBC to secure certain credit agreements with CTBC. Our credit agreements and pledge agreements contain various affirmative and negative covenants that limit our flexibility in planning for, or reacting to, changes in our business, or require us to maintain certain levels of financial ratios such as current ratio floor, financial liability ratio ceiling and interest coverage floor. These covenants, which are each subject to customary exceptions, restrict our ability to issue new shares, pay dividends and distributions and impose other discretionary restrictions and requirements on our operations in favor of the lenders. Violations of these covenants could also cause declarations of default under, and acceleration of, other indebtedness, which would result in adverse consequences to our financial condition. If we are unable to repay the amounts due under the loan agreements upon cross-default or acceleration, our lenders could also proceed against the pledged assets to satisfy the indebtedness, which could have an adverse effect on our business, financial condition and results of operations.

Our lenders' interests may not always be aligned with our interests. If our interests come into conflict with our lenders, including in the event of a default under the loan agreements, our lenders may choose to act in their self-interests, which could adversely affect our business, financial conditions and results of operations, in addition to our present relationship and future collaborative efforts with these lenders.

**Our growth strategies and business expansion may not be successful.**

Our growth strategies include: (i) continue to expand existing commercial sale products both as an original distributor and self-licensed product producer; (ii) develop new original distributorship by leveraging on our relationships with the original manufacturers; (iii) grow our CDMO businesses by utilizing our facilities in Taiwan and North America; (iv) actively expand overseas market; and (v) focus on drug development such as film-coated drug coating and release control system, delayed controlled release dosage system and branded generic drugs. For more information, see the section headed "Business—Our Strategies." Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources.

In addition, managing our growth and executing on our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive CDMO market, effective coordination and integration of our facilities and teams across different sites, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, increased marketing and customer support activities, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute on our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

**We are dependent on a stable and adequate supply of quality raw materials from our suppliers, and interruptions of such supply could have an adverse impact on our business.**

Our business operations require a substantial amount of raw materials and consumable materials. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our raw materials accounted for 47.1%, 41.6%, 44.6% and 39.2% of our total net inventories, respectively. The raw materials for pharmaceuticals include natural substances and general chemicals, which are mainly synthesized chemically, while others are obtained from plants, animals, mineral and microbial strains. We source our raw materials both domestically and internationally. We maintain long-term and close relationships with our domestic suppliers, and raw materials imported from abroad are mainly imported through traders.

While we do not rely on any single source of raw materials, if any of our suppliers does not supply raw materials on a timely basis at reasonable prices, we may be unable to manufacture products for our customers. A sustained disruption in the supply chain involving multiple customers or vendors could have a material adverse effect on our results of operations.

Furthermore, suppliers may fail to provide us with raw materials that meet the qualifications and standards required by us or our customers. If suppliers are not able to provide us with products that meet our or our customers' specifications on a timely basis, we may be unable to manufacture products, or products may be available only at a higher cost or after a long delay, which could prevent us from delivering products to our customers within required timeframes. Any such inability to manufacture or delay in delivering our products may create liability for us to our customers for breach of contract or cause us to experience order cancellations and loss of customers. In the event that we manufacture products with inferior quality, we may become subject to product liability caused by defective raw materials from a supplier, or our customer may be required to recall its products from the market.

While we maintain friendly relationships with alternative raw materials suppliers and purchase raw materials in a decentralized manner, it is possible that any of our supplier relationships could be interrupted due to natural disasters, international supply disruptions caused by geopolitical issues, trade frictions, global shipping crises, or other events beyond our control or could be terminated in the future. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so by them may lead to interruption in their business operation, which in turn may result in shortage of raw materials supplied to us. Any sustained interruption in our receipt of adequate supplies could have an adverse effect on our business and financial results.

**We may not be able to manage our inventories effectively and efficiently.**

Our inventories include raw materials, work in process and finished goods related to our CDMO services and commercial sale products. We generally maintain certain levels of basic chemical raw materials and procure other raw materials and consumables specifically tailored to our customer's actual work orders. We manage our inventory levels based on our forecasts of customer demand for our services in terms of ongoing projects and potential new projects. Customer demand, however, can be affected by numerous uncertainties, including in relation to the progress of their projects, pending regulatory approvals, timing and success of clinical trials, our level of success in securing new projects and other factors beyond our control. As of June 30, 2024, we had net inventories amounted to NT$498.4 million and constituted 11.5% of our total consolidated assets.

If we fail to manage our inventory levels effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in the value of inventories, and potential inventory write-downs or write-offs. Any shortfall of raw materials and inventories may impact our ability to satisfy our customers' orders. Procuring additional inventories may also require us to commit substantial working capital, preventing us from using such capital for other purposes. Any of the foregoing may materially and adversely affect our results of operations and financial condition.

**The loss or conflict within our management could severely disrupt our operations.**

Our commercial success depends significantly on the continued service of our senior management. For example, Our CEO and Chairman, Mr. Sheng Pao-Shi, is responsible for the overall management and operation of our business as well as our business strategies and long-term development plan. The loss of any of our senior management could have a material adverse effect on our business and operations. If we lose the services of any senior management members, we may be unable to identify, hire and train suitable qualified replacements and may incur additional expenses and spend a long time to recruit and train new personnel, which could severely disrupt our business and growth. In addition, our employment contract with each member of our senior management has included a non-compete provision. However, we may not be able to successfully enforce these provisions should any of them leave us, which could adversely affect our business operations.

**Our failure to obtain or renew certain approvals, licenses, permits and other relevant government requirements may materially and adversely affect our business, financial condition and results of operations.**

As biomedical is a heavily regulated industry, we are required to obtain and maintain various approvals, licenses, permits and certificates from relevant authorities to operate our business. Any failure to obtain any approvals, licenses, permits and certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities causing operations to cease, and may include corrective measures requiring capital expenditure or remedial actions, which in the future could materially and adversely affect our business, financial condition and results of operations. There is also no assurance that the relevant authorities would not take any enforcement action against us. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

In addition, our approvals, permits, licenses and certificates are subject to periodic renewal, inspections and reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. If there are any deficiencies in our manufacturing facilities, including but not limited to, contamination, inadequate cleaning practices, improper storage conditions and insufficient tooling documentation, our certifications may be put under administrative review or may be revoked. We are committed to apply for the renewal and/or reassessment of these approvals, permits, licenses and certificates when required by applicable laws and regulations, however, we cannot assure you that we will be able to successfully maintain or renew existing permits, licenses or any other regulatory approvals or obtain future permits, licenses or other approvals needed for the operation of our businesses. Any failure by us to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and certificates necessary to carry out our business at any time could severely disrupt our business and prevent us from continuing to carry out our business, which could have a material adverse effect on our business, financial condition and results of operations.

**Any future legal dispute, or related proceedings against us could be costly and time-consuming to defend even if we are ultimately found not liable.**

We may become, from time to time, subject to legal proceedings, arbitrations and other claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. Actions brought against us, with or without merit, may result in administrative measures, settlements, injunctions, fines, penalties, negative publicity, or other results that could have material adverse effect on our reputation, business, financial condition, results of operations, and prospects. Even if we are successful in defending ourselves against these actions, we may incur significant costs and divert management's attention and resources in such defense.

Our insurance might not cover claims brought against us, or might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with our customers, our customers do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our financial condition, results of operations or reputation.

**Exchange rate fluctuations may affect our results of operations and financial condition.**

In 2021, 2022, 2023 and six months ended June 30, 2024, more than 85% of our revenues were contracted in currencies other than NT dollars during all of these periods. Our financial statements are reported in NT dollars, and changes in foreign currency exchange rates could significantly affect our financial condition, results of operations, and cash flows.

**Our operations rely on complex information technology systems and networks and our business and reputation may be impacted by information technology system failures, network disruptions or cybersecurity breaches.**

We rely extensively on information technology systems, some of which are supported by third party vendors including cloud-based systems and managed service providers, to manage and operate our business. We invest in new information technology systems designed to improve our operations. We may have failures of these systems in the future. If these systems cease to function properly, if these systems experience security breaches or disruptions or if these systems do not provide the anticipated benefits, our ability to manage our operations could be impaired, which could have a material adverse impact on our results of operations, financial condition, and cash flows.

We may be subject to information technology system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could adversely impact our business by, among other things, preventing access to our internet services, interfering with customer transactions or impeding the assembling and shipping of our products. These events could materially and adversely affect our reputation, financial condition and operating results.

Our information technology systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyberattacks. We continue to assess potential threats and make investments seeking to address and prevent these threats, including monitoring of our networks and systems and upgrading skills, employee training and security policies for us and our third-party providers. However, because the techniques used in these cyberattacks change frequently and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures. To date, we have seen no material impact on our business or operations from these attacks; however, we cannot guarantee that our security efforts will prevent breaches or breakdowns to our or our third-party providers' databases or systems. If the information technology systems, networks or service providers we rely upon fail to function properly or if we or one of our third-party providers suffer a loss, significant unavailability of or disclosure of our business or stakeholder information and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action, including administrative fines. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

**Our reputation is key to our business success. Negative publicity may adversely affect our reputation, business and growth.**

Any negative publicity concerning us, our affiliates or any entity that shares the "Bora Pharmaceuticals" name, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicities about us or any of our affiliates or any entity that shares the "Bora Pharmaceuticals" name would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition. In addition, in light of our specialized customer base, a good reputation would boost our ability to acquire customers. As a result, any negative publicity about us or any of our affiliates or any entity that shares the "Bora Pharmaceuticals" name could adversely affect our ability to retain our existing customers or attract new customers.

**Risks Relating to the ROC**

**Your investment may be adversely affected by political considerations relating to Taiwan.**

We are incorporated in Taiwan, and a significant portion of our assets are located in Taiwan. Taiwan has a unique international political status. The PRC claims that that Taiwan is part of China. Although significant economic and cultural relations have been established during recent years between Taiwan and the PRC, relations have often been strained. The PRC government has refused to renounce the use of military force to gain control over Taiwan. Furthermore, the PRC government passed an Anti-Secession Law in March 2005, which authorizes non-peaceful means and other necessary measures should Taiwan move to gain independence from the PRC. Past developments in relations between them have on occasion depressed the market prices of the securities of companies in Taiwan. Relations between Taiwan and the PRC and other factors affecting military, political or economic conditions in Taiwan could materially and adversely affect our financial condition and results of operations, as well as the market price and the liquidity of the Bonds and our Shares.

**The value of the Common Shares and the Bonds may be adversely affected by the volatility of the Taiwan securities market.**

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European and other countries. The TWSE has experienced substantial fluctuations in the prices and volumes of sales of listed securities and has shown particular volatility following certain political events, market events, scandals, and there are currently limits on the range of daily price movements on the TWSE. The TWSE has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems and restrictions on price movements could adversely affect the market price and liquidity of the securities listed on the TWSE, including the Common Shares.

In response to major past declines and volatility in the securities markets in Taiwan, and in line with similar activities by other countries in Asia, the ROC government formed the National Stabilization Fund in 2000, which has purchased, and may from time to time purchase, shares listed on the TWSE to support these securities markets in Taiwan. In addition, other funds associated with the ROC government have in the past purchased, and may from time to time purchase, shares listed on the TWSE or other securities markets in Taiwan. In the future, market activity by government entities, or the perception that such activity is taking place, may take place or has ceased, may cause fluctuations in the market prices and liquidity of the Common Shares.

**The imposition of foreign exchange restrictions may have an adverse effect on foreign investors' abilities to acquire ROC securities, including the Common Shares, or to repatriate the interest, dividends or sale proceeds from those securities.**

The ROC government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the ROC government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in Taiwan. These restrictions may require foreign investors to obtain Taiwan government's approval before acquiring ROC securities, repatriating the interest or dividends from those securities or repatriating the proceeds from the sale of those securities. There can be no assurance that these restrictions, if imposed, will not adversely affect, among other things, the secondary market price of the Bonds.

**Financial reporting requirements and accounting standards in the ROC differ from those in certain other countries, which may be material to investors' assessment of our results, prospects, financial condition and results of operations.**

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries including the United States. In addition, our financial statements are prepared in accordance with T-IFRS, which differs in certain significant respects from generally accepted accounting principles in certain other countries, such as U.S. GAAP or IFRS. The accounting treatment adopted by us under T-IFRS may cause volatility of our revenue and/or profits. Potential investors should consult their own professional advisors for an understanding of such differences and how they might affect the financial information contained herein.

**We publish monthly operating revenue information as part of our ongoing reporting obligations and such information is subject to change due to normal quarter-end closing procedures and excludes certain expenses and other information necessary to be indicative of actual financial results.**

We post monthly sales information on the MOPS, as part of our ongoing mandatory reporting obligation as a listed company on the TWSE. Such information is preliminary, and is subject to change, upon adjustments and after the completion of our normal quarter-end closing process. Actual sales could differ materially from the preliminary information posted on MOPS. Furthermore, our preliminary operating revenue only reflects sales information up to July 2024 and may not be indicative of our net profit/loss for the months of seven months of 2024. As a result, you should not place undue reliance on such information.

**Due to our location in Taiwan, natural disasters and other events outside of our control may seriously disrupt our business operations.**

Taiwan is vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, wars, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our business. Although we have not been adversely affected in the past by natural disasters and other calamities, any natural disasters and other events outside of our control in Taiwan in the future could seriously disrupt our business operations.

**You may not be able to enforce a judgment of a foreign court in the ROC.**

We are a company limited by shares and incorporated under the ROC Company Law. Substantially all of our directors and executive officers, and certain of the parties named herein, are residents of the ROC. As a result, it may be difficult for holders of the Common Shares or the Bonds to enforce against us or such persons the judgments obtained outside the ROC, including those predicated upon the civil liability provisions of the federal securities laws of the United States.

**Risks relating to the Common Shares and the Bonds**

**Non-ROC holders of the Bonds will be required to register with the Taiwan Stock Exchange and appoint several local agents in Taiwan if they convert the Bonds and become our shareholders, which may make ownership burdensome.**

Under current ROC law, if non-ROC holders of the Bonds wish to convert any of their Bonds and to hold Common Shares, they will be required to register with the Taiwan Stock Exchange (the "**TWSE**") for making investments in the ROC securities market prior to receiving Common Shares upon conversion of the Bonds. In addition, non-ROC converting holders of the Bonds will be required to appoint an eligible agent in the ROC to (i) open a securities trading account with a local brokerage firm (with qualification set by the FSC) and a bank account, (ii) pay ROC taxes, (iii) remit funds, (iv) exercise shareholders' rights and (v) perform such other functions as holders of Bonds may designate upon such conversion. In addition, non-ROC converting holders of the Bonds will be required to appoint a custodian bank to hold the securities in safekeeping, make confirmation and settle trades and report all relevant information. Without meeting these requirements, the converting holder would be unable to hold or subsequently sell the Common Shares. In addition, these regulations may change from time to time. We cannot assure you that you will be able to register with the TWSE and open the requisite accounts in a timely manner or that current ROC law will remain in effect or that future changes in ROC law will not adversely affect your ability to convert the Bonds into our Common Shares.

Non-ROC holders of the Bonds who elect to exercise its conversion rights, receive Common Shares, and register as our shareholders are required under current ROC laws and regulations to appoint an agent ("Tax Guarantor") in the ROC for filing tax returns and making tax payments on their behalf. A Tax Guarantor will be required to meet the qualifications set by the ROC Ministry of Finance and will act as the guarantor of the holder's tax payment obligations. Evidence of the appointment of a Tax Guarantor and the approval of such appointment or tax clearance certification are required as conditions to repatriating the holder's profits derived from the sale of Common Shares. There can be no assurance that non-ROC holders will be able to appoint and obtain approval for a Tax Guarantor in a timely manner.

**There are legal restrictions on a PRC investor's conversion of the Bonds into the Common Shares.**

Under current ROC laws, regulations and policy, a PRC person is not permitted to hold the Common Shares upon conversion of the Bonds and to register as shareholders of our company unless it is a qualified domestic institutional investor ("QDII"), provided that the total shareholding of the PRC persons with respect to our company cannot exceed 30%. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Bonds holder who is a PRC person to be unable to hold the Common Shares upon conversion of the Bonds and to register as shareholders of our company. Under current ROC laws, "PRC person" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

**The returns of the Bondholders on the Bonds may depend on the value of the Common Shares**

The terms of the Bonds differ from those of ordinary debt securities because each Bond is convertible by the holder of the Bonds into the Common Shares. Accordingly, the Bonds may bear particular risks related to the Common Shares in addition to the risks of the debt securities. It is difficult to predict whether the price of the Common Shares will rise or fall. Trading prices of the Common Shares will be influenced by our operating results, and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the TWSE and the market segments of which we are a part.

Depending on these factors, the value of the Common Shares may become substantially lower than it is when the Bonds are initially purchased. In addition, the value of the securities to be delivered may vary substantially between the date on which conversion rights are exercised and the date on which such securities are delivered.

**A liquid market for the Bonds may not develop and there are restrictions on the transfer of the Bonds.**

Prior to this offering, there has been no market for the Bonds being offered. The Initial Purchaser may make a market for the Bonds. However, the Initial Purchaser is not obligated to make a market and may discontinue this market-making activity at any time without notice. Such market-making activity is limited by the anti-manipulation rules under the Securities Act and the Exchange Act. The Bonds are being offered pursuant to an exemption from registration under the Securities Act and, as a result, you will only be able to resell your Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. Similarly, neither the Common Shares nor the Bonds are registered under the Exchange Act. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. However, there can be no assurance that we will obtain or be able to maintain such a listing on the SGX-ST, or that, if listed, a trading market for the Bonds will develop on the SGX-ST.

In addition, LYFE has subscribed for, and has been allocated by the Initial Purchaser, US$100 million in aggregate principal amount of the Bonds being offered in this offering at the same offering price and on the same terms as the other Bonds being offered. Although LYFE may resell the Bonds, the significant amount of Bonds allocated to LYFE may reduce the liquidity of the Bonds.

The Common Shares or the Bonds may not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required. The Common Shares may only be publicly traded on the TWSE.

**The value of your investment may be reduced by possible future sales of Common Shares or any securities that are substantially similar to the Common Shares by us or our stockholders.**

Each of the Company, our chairman and his affiliates, certain of our directors and executive officers has agreed that it, she or he (as the case may be) will not, nor will any entity controlled by it, her or him (as the case may be) or any person acting on its, her or his (as the case may be) behalf, during the 90 day period commencing from the date of this Offering Circular, subject to certain specified exceptions, without the prior written consent of the Initial Purchaser, to offer, sell or otherwise dispose of any of the Common Shares or securities convertible into or exchangeable for Common Shares. See "Plan of Distribution" for a more detailed discussion of restrictions that may apply to future sales of our Common Shares or securities convertible into the Common Shares.

While we are not aware of any other plans by any major stockholders to dispose of significant numbers of Common Shares, we cannot assure you that one or more existing stockholders or owners of securities convertible or exchangeable into or exercisable for our Common Shares will not dispose of significant numbers of Common Shares or such securities. We cannot predict the effect, if any, that future sales of Common Shares, or the availability of Common Shares for future sale, will have on the market price of the Bonds or Common Shares prevailing from time to time. Sales of substantial amounts of Common Shares or securities convertible or exchangeable into the Common Shares in the public market, or the perception that such sales may occur, could depress the prevailing market prices of our Bonds or Common Shares.

**A holder of the Bonds or its designees requesting the conversion of the Bonds may be required to provide certain information to us or the Conversion Agent, and failure to provide such information may result in a delay of the conversion.**

A holder of the Bonds or its designees requesting the conversion of the Bonds may be required to provide certain information to us or the Conversion Agent, including the name and nationality of the person to be registered as the stockholder and the number of Common Shares to be acquired by such person and the number of Common Shares acquired by such person in the past through the date of the Conversion Date. Under applicable ROC laws, we are required to report to the Securities and Futures Bureau if the person to be registered as a stockholder (1) is a "related party" of ours as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or (2) will hold, immediately following such conversion, more than 10% of the total number of the Common Shares. Failure to provide such information may cause the delay of such conversion of the Bonds.

**There are limitations on the Bondholders' ability to exercise conversion rights.**

The Bondholders will not be able to exercise conversion rights during any Closed Period (as defined in—Description of the Bonds). Under the current ROC law, regulations and policy, PRC persons are not permitted to convert the Bonds or to register as our shareholders unless it is a QDII.

**Holders of the Bonds will bear the risk of fluctuations in the price of the Common Shares.**

The market price of the Bonds at any time will be affected by fluctuations in the price of the Common Shares. It is impossible to predict how the price of the Common Shares will change. Trading prices of the Common Shares will be influenced by, among other things, our results of operations and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Common Shares would adversely affect the market price of the Bonds.

**Fluctuations in the exchange rate between the NT dollar and the US dollar may have a material adverse effect on the value of the Bonds in US dollar terms.**

Although the principal amount of the Bonds is denominated in US dollars, the Common Shares are listed on the TWSE, which quotes and trades the Common Shares in NT dollars. As a result, fluctuations in the exchange rate between the NT dollar and the US dollar will affect, among other things, the market price of the Bonds and the US dollar equivalent of the Common Shares received upon conversion of the Bonds.

**Holders of the Bonds will have no rights as shareholders until they acquire the Common Shares upon conversion of the Bonds.**

Unless and until the holders of the Bonds acquire the Common Shares upon conversion of the Bonds, the holders of the Bonds will have no rights as shareholders, including any voting rights or rights to receive any dividends or other distributions with respect to the Common Shares. Subject to the indenture and other applicable ROC laws, holders of the Bonds who acquire the Common Shares upon the exercise of their Conversion Rights will be entitled to exercise the rights of shareholders only as to actions for which the applicable record date occurs after the Conversion Date.

**Our obligations under the Bonds will be junior in their right of payment to the secured indebtedness of our Company and our subsidiaries.**

The Bonds will be our direct, unconditional, unsubordinated and unsecured obligations and will rank pari passu without any preference or priority among themselves and with all of our other senior, direct, unconditional unsubordinated and unsecured obligations. However, the Bonds are junior in their right of payment to all of our current and future secure indebtedness. In addition, our ability to make payments in respect of the Bonds depends largely upon the receipt of dividends, distributions, interest of advances from our subsidiaries. The ability of our subsidiaries to pay dividends and other amounts to us may be subject to their profitability and applicable laws. In the event of a winding up of our Company, although the Bonds would become immediately due and payable at the Early Redemption Amount, the assets of our Company would be available to pay such amounts only after all the secured indebtedness of our Company and our subsidiaries have been paid in full. Therefore, we may not be able to repay the Bonds in the event of a winding up of our Company, and you may suffer losses on your investment in the Bonds.

## USE OF PROCEEDS

We anticipate the gross proceeds from this Offering, before deducting underwriting commission and estimated offering expenses payable by us for the Offering, to be US$200 million. We intend to use the net proceeds to repay bank loans and other facilities.

## DIVIDENDS AND DIVIDEND POLICY

The following table sets forth the dividends per share for 2021, 2022, and 2023 declared in the shareholders' meetings in May, 2022, June, 2023 and May 2024, respectively, for the periods indicated:

| | Stock Dividend Per Share[(1)] | Cash Dividend Per Share[(2)] | Total Number of Shares Issued as Stock Dividend[(3)] | Stock Dividend Amount | |
|---|---|---|---|---|---|
| | | | | NT$[(4)] | US$[(5)] |
| | | | | (In thousands) | |
| 2021 .................... | 1.00 | 3.50 | 6,852,228 | 68,522 | 2,111.6 |
| 2022 .................... | 3.00 | 8.00 | 23,141,046 | 231,410 | 7,131.3 |
| 2023 .................... | – | 12.00 | – | – | – |

(1) Our stock dividend is declared in New Taiwan dollar amount per share. A shareholder receives as a stock dividend based on the number of Shares equal to the New Taiwan dollar amount per Share of dividend declared multiplied by the number of Shares owned by the shareholder and divided by the par value of NT$10 per Share.

(2) Our cash dividend is declared in New Taiwan dollar amount per Share. A shareholder receives as a cash dividend equal to the New Taiwan dollar amount per Share of dividend declared multiplied by the number of Shares owned by the shareholder.

(3) The total number of Shares issued as stock dividends include Shares issued from retained earnings and from capital reserve.

(4) The New Taiwan dollar amount of stock dividends paid is calculated based upon NT$10 per share times number of shares issued as stock dividend.

(5) The US dollar amount of stock dividends paid is calculated based upon the Noon Buying Rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board as of June 28, 2024 of NT$32.45 to US$1.00.

We are generally not permitted under the ROC Company Law to distribute dividends or to make any other distributions to shareholders for any fiscal year in which we have not generated net income. In addition, before distributing a dividend or making any other distribution to shareholders, we must pay all outstanding taxes, recover any past losses, and set aside a legal reserve equal to 10% of our net income until the legal reserve reaches an amount equal to at least 100% of our paid-in share capital. Apart from the aforesaid legal reserve, we also set aside a special reserve in accordance with applicable laws and regulations when necessary. See "Description of Our Share Capital."

Our Articles of Incorporation provide that, in principle, our net income, less prior years' losses, outstanding taxes, the legal reserve and any special reserve may be distributed as dividends to shareholders upon proposal of the board of directors and approval of shareholders at a shareholders' meeting. We may distribute dividends in way of cash or shares. Taking into consideration the Company's current and future investment environment, capital requirements, domestic and foreign competition, the Company's annual distributed dividend shall not be lower than the undistributed earning at the end of period as principle. When the dividend to shareholder is lower than NT dollars 0.5, the Company may retain the earning and not distributed. The percentage of cash dividends paid each year must not be less than 10% of the total amount of cash and stock dividends paid in that year. For information relating to ROC withholding taxes payable on dividends, see "Taxation—ROC Taxation."

## CAPITALIZATION

The following table sets forth our actual consolidated capitalization as of June 30, 2024, and as adjusted to give effect to this offering without deducting underwriting discount and commission and other offering expenses, or giving effect to the use of proceeds of this offering. This table shall be read in conjunction with our consolidated financial statements as of June 30, 2024. There has been no significant change in our financial condition, capitalization or prospects since June 30, 2024. The amounts in US dollars are provided solely for the convenience of the reader.

The as adjusted basis gives effect to the issuance of the Bonds without taking into account the bifurcation of embedded derivatives, before deducting underwriting discount and concession and other offering expenses.

| | As of June 30, 2024 (Consolidated) | | | |
|---|---|---|---|---|
| | Actual | | As Adjusted for Offering of Bonds | |
| | NT$ thousands | US$ millions(1) | NT$ thousands | US$ millions(1) |
| **Short-Term Borrowings:** | | | | |
| Short-term secured bank loans | 200,000 | 6.2 | 200,000 | 6.2 |
| Short-term unsecured bank loans | 7,576,718 | 233.5 | 7,576,718 | 233.5 |
| **Long-Term Borrowings:** | | | | |
| Bonds payable | 1,555,114 | 47.9 | 8,045,114 | 247.9 |
| Long-term loans, net of current portion | 7,126,916 | 219.6 | 7,126,916 | 219.6 |
| **Stockholders' Equity:** | | | | |
| Equity attributable to shareholders of the parent | 9,575,890 | 295.1 | 9,575,890 | 295.1 |
| Non-controlling interests | 2,808,004 | 86.5 | 2,808,004 | 86.5 |
| **Total Stockholders' Equity** | 12,383,894 | 381.6 | 12,383,894 | 381.6 |
| **Total Capitalization(2)** | 21,065,924 | 649.2 | 27,555,924 | 849.2 |

(1) The US dollar amount is calculated based upon the Noon Buying Rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board as of June 28, 2024 of NT$32.45 to US$1.00.

(2) Total capitalization is total long-term liabilities plus total shareholders' equity.

## OUR MISSION

We aim to become a top 10 CDMO service provider globally, distinguished by our customer-centric approach and fully-integrated capabilities; and a next-generation pharmaceutical company with a diverse portfolio of generics and branded drugs.

## OVERVIEW

According to public financial data, we are the largest CDMO service provider in Taiwan in terms of revenue from CDMO services in 2023, with a global commercial sales operation of branded generics, specialty generics, general generics and OTC healthcare products. Leveraging our unique dual-engine business model of CDMO services and global commercial sales, we have achieved significant growth both organically and through strategic acquisitions.

Our dual-engine model drives revenue and profitability growth synergistically. Our CDMO manufacturing capabilities enable us to reduce production costs for our commercial sales business while concentrating on R&D and sales efforts to penetrate higher-margin niche markets. Simultaneously, increased orders from our commercial sales business optimize the utilization of our CDMO facilities, enhancing economies of scale, which attracts more CDMO orders. Furthermore, our model unlocks a broader spectrum of acquisition prospects, spanning not only targets focusing on one aspect of our operations, but also those possessing both manufacturing capabilities and drug portfolios, as well as CDMO customers seeking to divest their branded drugs.

Our CDMO service business offers comprehensive services on both large and small molecule drugs and covers a broad spectrum of dosage forms, from tablets, capsules, semi-solid to liquids. Currently we operate ten manufacturing sites capable of expanding dosage forms with North America footprint and global reach. We have accumulated a loyal customer base across the world, including pharmaceutical and biotechnology companies such as, GSK, Amneal Pharmaceuticals and Eisai. These partnerships, among many other CDMO customers we serve, highlight our commitment to fostering long-term relationships with our customers, ensuring mutual growth. With the continuous integration of acquired facilities, we added a total of 45 new development projects in 2023, 39 of which were small molecule products and six of which were large molecule products, and aim to help our customers achieve at least 15 new commercial launches in 2024.

We distribute our drug and healthcare products in the United States, Taiwan and mainland China, with approximately 90% of our revenue in global commercial sales derived in the United States market after accounting for our USL acquisition. According to our internal survey and public records, we believe we are one of the front-runner Taiwanese companies to enter the United States generics market, and as of June 30, 2024, we held the highest number of ANDA approvals in the United States among all Taiwanese pharmaceutical companies. We have built a diversified portfolio of commercialized products and pipeline products. As of June 30, 2024, our commercialized products include 75 general generics, five branded NDAs, two specialty generics, and a selected group of OTC healthcare products. Notably, our generic drug Dexlansoprazole developed by TWi Pharmaceuticals for treating gastroesophageal reflux has a commanding market share of 43% by volume in the United States as of June 30, 2024. We have already obtained 11 ANDA approvals with Paragraph IV certificates, or PIV, in the United States and have a stable pipeline for long-term growth with five general generics and two specialty generics pending for launch in the second half of 2024. We also efficiently manage and distribute our specialty generic drugs for rare diseases through our U.S. warehouse, ensuring timely delivery to patients.

We have established a proven track record of successful accretive acquisitions, which has allowed us to rapidly expand our scale, capabilities and global footprint. The acquisition of TWi Pharmaceuticals in 2022 opened the door for us to move upmarket in the United States; the consolidation of SunWay Biotech in 2023 paved the way for us to gain proprietary R&D capabilities and obtain more market share in healthcare products; and the acquisition of Upsher-Smith in 2024 provided us with two new facilities in the United States ready for CDMO services and a portfolio of 53 generic drugs. On August 20, 2024, we consummated the transaction with Emergent BioSolutions to acquire its sterile injectables manufacturing facility in Camden Maryland, which will expand our spectrum of dosage forms to include injectables and further strengthen our large molecule capabilities in drug substance and drug product development.

At the helm of our Company is a seasoned management team, which drives our success and rapid growth through both organic expansion and strategic acquisitions, supported by a pool of talents. We are led by our CEO and Chairman, Mr. Sheng Pao-Shi, a pharmaceutical industry veteran with over 25 years of experience and expertise in mergers and acquisitions, strategy planning and operational management, who is supported by members of our senior management team equipped with extensive experience and diverse expertise domestically and internationally. In addition, we attract and retain highly experienced management teams from our acquisitions to strengthen our talent pool, whose familiarity with the operations and culture enables a seamless integration and promotes operational excellence. We believe the strength of our management team together aided by our acquisitions with our unique value proposition will continue to help us attract and retain talent from all over the world.

We have achieved robust growth in both our revenue and profitability while generating strong cash flows. Our revenue grew from NT$4.90 billion in 2021 to NT$14.2 billion in 2023, representing a CAGR of 70.2% driven by both organic growth and strategic acquisitions. Our operating profit margin increased from 21% in 2021 to 37% in 2023, as a result of a more favorable mix of services and products. Our cash generated from operations increased from NT$1.25 billion in 2021 to NT$5.45 billion in 2023 as a result of continuous CDMO orders and increased commercial sales.

## OUR COMPETITIVE STRENGTHS

### Leading global CDMO service provider with comprehensive capabilities and services across small and large molecules and dosage forms

According to public financial data, we are the largest CDMO service provider in Taiwan in terms of revenue from CDMO services in 2023, driven by our comprehensive capabilities and services across small and large molecules and a broad spectrum of dosage forms.

We offer integrated services to our CDMO customers, providing tailor-made solutions to our customers at each stage. For instance, in the development stage, we put forth a range of specialized services including formulation development, analytical method development and stability testing. Our small molecule CDMO business focuses mainly on development, manufacturing and packaging of drugs in various dosage forms under complex release systems, such as our controlled-release oral drugs and ocular drugs. At the same time, we were also able to quickly enter the large molecule CDMO market via our acquisitions and strategic investments.

To better serve our customers and make our services available where and when our customers need them, we have built a strong global presence and capacity. We currently operate a total of ten facilities, including six in Taiwan, one in Canada and three in the United States. Notably, two of the facilities in the United States, part of the acquisition of Upsher-Smith in April 2024, have gained us ample capacity for solid oral drugs in the United States, which will be favorable for our CDMO order wins in the United States. To further expand our spectrum of dosage forms and our large molecule capabilities, we consummated the transaction with Emergent BioSolutions to acquire its sterile injectables manufacturing facility in Camden Maryland in August 2024.

We maintain international standard and excellent quality control across our facilities. Our facilities are certified or approved under global standards and are in compliance with regulations of various countries including the United States, United Kingdom, Europe and Japan. Presently, we supply over 100 countries for our CDMO business, and we operate the only manufacturing facility dedicated for ophthalmic prescription drugs in Taiwan that supplies to the United States market, which shows our impeccable quality control. Finally, we form strategic alliances with our CDMO customers with a grow-together mindset. As of June 30, 2024, we have more than 50 ongoing pharmaceutical development services (PDS) projects across our facilities in Taiwan and Canada, where we provide services on pre-formulation development, formulation development, along with packaging and labeling. As of June 30, 2024, we had served more than 60 customers in our CDMO services in total, including GSK, Amneal and Eisai, all of which are leading global pharmaceutical companies with wide distribution networks. We plan to help our customers launch at least 15 commercialized CDMO products in 2024, which will help our CDMO sales grow by double-digit year-over-year.

**Global commercial sales operation with a diversified portfolio and stable pipeline for long-term growth**

We have a diversified portfolio of commercial drug and healthcare products with global distribution networks. Our commercialized products include 75 general generics, five branded NDAs, two specialty generics, and a selected group of OTC healthcare products. Our products are distributed in the United States, Taiwan and mainland China, with approximately 90% of our revenue in global commercial sales derived in the United States market after our acquisition of USL. We strive to efficiently expand our product portfolio with a stable, balanced pipeline for long-term growth. We have seven drug products, including two specialty generics and five general generics set to launch in the second half of 2024. From 2025 to 2027, we plan to further launch 13 general generics, six specialty generics and three PIV certified generic drugs. This pipeline growth momentum is supported by our independent R&D efforts and other co-developed projects. Following our acquisition of TWi Pharmaceuticals and Upsher-Smith, we obtained its generic drug licenses, making us the Taiwan-based company with the most number of ANDA approvals, according to our internal survey and public records.

We are proud to have established global partnerships with industry leaders such as SSP, Boehringer Ingelheim and Boiron, all of which boast proven track records of success. SSP is a leading Japanese pharmaceutical company known for its OTC drugs in analgesics, cold medications and digestive aids. Boehringer Ingelheim is the largest pharmaceutical company in Germany known for its products in insomnia, respiratory diseases and cardiovascular complications. Boiron is the global OTC drug leader in France known for its products on allergies, skincare and flu. We have benefited from these partnerships through in-licensing our partners' products for the Taiwan market, which has driven our commercial sales in Taiwan.

We have an integrated distribution channel for our specialty generic drugs. Our warehouse in the United States allows us to efficiently manage logistics locally and ensure the timely delivery of specialty drugs for treating rare diseases, where timing is crucial. Utilizing our warehouse logistics, we are able to efficiently introduce our specialty generic drugs to patients.

**A dual-engine business model with unique advantage to deliver long-term growth and enhanced profitability**

Our unique dual-engine business model of CDMO services and global commercial sales of drugs and healthcare products drives revenue and profitability growth synergistically. Our CDMO services business offers comprehensive services on both large and small molecule drugs and covers a broad spectrum of dosage forms, which enable us to reduce production costs for our commercial sales business while concentrating on R&D and sales efforts to penetrate higher-margin niche markets. Simultaneously, increased orders from our commercial sales business optimize the utilization of our CDMO facilities, which enhances the economies of scale of our CDMO services. This in turn attracts more CDMO orders. Furthermore, our model unlocks a broader spectrum of acquisition prospects, spanning not only targets focusing on one aspect of our operations, but also those possessing both manufacturing capabilities and drug portfolios, as well as CDMO customers seeking to divest their branded drugs.

Capitalizing on our unique model, we have been seeking diversified earnings sources and driving growth on the back of continued expansion of CDMO services and commercial product mix. As a result, we managed to deliver revenue growth at a CAGR of 70.3% from 2021 to 2023 driven by organic growth and successful accretive acquisitions. In the meanwhile, we were able to increase efficiencies and improve profitability. Our gross profit margin increased from 34% in 2021 to 49% in 2023, as a result of shift to higher value of products (high-entry-barrier-generics) for our sales of commercial drugs and healthcare products operation as well as enhanced offering of CDMO services. Leveraging shared resources and infrastructure, which creates synergies, our operating profit margin increased from 21% in 2021 to 37% in 2023.

**Accelerated growth and expanding global presence on back of disciplined and successful acquisitions**

Since 2013, we have been actively seeking for acquisition opportunities with a disciplined approach to expand the scope of our services and products and the scale of our operations. We acquire businesses that complement and expand the scope of our CDMO service capabilities, particularly, dosage forms and large molecule services, so we can serve customers in different sizes and technology levels as a one-step service platform, as well as further diversify our drug portfolio. We also target businesses that can broaden our geographic reach and CDMO capacity, which allow us to acquire more customers.

We take a disciplined approach to acquisitions and aim to achieve short investment payback period. For example, we identify underutilized facilities with strategic customer or geographic value and promising drug products and transform them into high-performing assets that drive synergies across our CDMO services and global commercial sales businesses. Because of our dual-engine structure, we can be more versatile and flexible in the acquisition market, where we can acquire either drug product lines or CDMO facilities without incurring significant expenses to integrate. We utilize our capital resources efficiently—leveraging a combination of cash flow from our operations, bank loans and capital market products to lower cost of capital and maintain adequate liquidity.

Below are a few notable acquisitions we completed in enlarging our scope and scale while delivering attractive return to our shareholders:

- GSK facility in Canada (now our Canda facility) – we won a five-year CDMO contract with GSK as a loyal customer after the acquisition and have been selling the drug products manufactured in this facility to 88 countries worldwide.

- Eisai facility in Tainan (now our Tainan facility) – we acquired the professional pharmaceutical manufacturing facility with PIC/S GMP certification and was able to undertake CDMO contracts of all products of Eisai for five years.

- Amneal facility in Zhunan (now our Zhunan facility) – we acquired this manufacturing facility with U.S. FDA certification with a long-term CDMO contract, and it now possesses production lines for oral solids, oral sustained-release capsules and spray drying.

- Eden Biologics CDMO (now part of our Bora Biologics) – we obtained international talent for biologics development, with high technological entry barriers, to make rapid deployments in large-molecule antibody drugs.

- TWi Pharmaceuticals – we enhanced our CDMO R&D capacity and broadened dosage forms, which enables us to enter the United States market and also enter into global commercial sale operations.

- SunWay Biotech partnership – we worked with this leading player in the healthcare product space to expand our market share in the global health product market and to gain proprietary R&D capabilities.

- Upsher-Smith – through the acquisition, we aim to become one of the largest local makers of oral drugs in solid form in the United States. The synergy will accelerate our strategic deployments of CDMO capacity in the United States and provide us with a more diverse complementary product mix in our global commercial sales operation.

- Emergent BioSolutions' sterile facility – we consummated the transaction with Emergent BioSolutions to acquire its sterile injectables manufacturing facility in Camden Maryland in August 2024. We expect this acquisition to further expand our spectrum of dosage forms and strengthen our large molecule capabilities.

Our investment payback period, the sum of year-to-date actuals (the cumulative amount of returns generated from the beginning of the year up to the current date) since acquisitions divided by purchase price, is less than 18 months for the acquisitions of our Canadian facility and less than 30 months for the acquisitions of our Zhunan facility.

**Seasoned management team with proven track record supported by a strong talent base**

We have a dedicated and visionary management under the leadership of Mr. Sheng Pao-Shi, who has over 25 years of experience in pharmaceutical industry, including mergers and acquisitions among pharmaceutical companies, strategy planning and operational management. Mr. Sheng Pao-Shi has been supported by a team of seasoned management of more than 20 years of experience on average with global exposure. Under the leadership of our management team, we have been able to successfully diversify our business and transform into a global company through both organic growth as well as strategic acquisitions. Our proven track record demonstrates our management's industry foresight and commercial acumen as well as our team's business execution capabilities. Furthermore, our leadership is supported by an experienced execution team consisting of professionals such as scientists, technicians and marketing specialists with decades of experience from around the globe. This multidisciplinary team is positioned across our facilities worldwide to better implement our strategies. In addition, we attract and retain highly experienced management teams from our acquisitions to strengthen our talent pool, whose familiarity with the operations and culture enables a seamless integration and promotes operational excellence.

We take pride in our company culture, and that pride only grows stronger when we receive recognition as a top employer by leading external organizations. We won "Best companies to work for in Asia" award by HR Asia Awards in 2019 and in 2024, respectively.

## OUR STRATEGIES

**Continue to integrate recent acquisitions into our operations**

We will continue to integrate our acquisitions and leverage the potential synergies by combining strengths in R&D, manufacturing processes and market reach to optimize product portfolios and streamline our operations.

Upsher-Smith currently has two FDA compliant facilities in Minnesota with over 60,000 square meters of interior space and a diversified portfolio of 53 commercial general generic products, which will bring synergies to both sides of our dual-engine where we can piggyback off of these existing capabilities. We are in the process to carry out our strategic integration plan, leveraging our existing business development platforms and sales networks, to secure additional CDMO contract orders and cash flows from our pharmaceutical customers for Upsher-Smith facilities, increase its utilizations by integrating the facilities with our global contract manufacturing capacity, and focus on manufacturing high-barrier-to-entry products to provide more comprehensive contract manufacturing services to our global CDMO customers. We have already been connecting with CDMO customers for new orders and expect to complete this integration and accept CDMO orders in Upsher-Smith facilities by early 2025. We also plan to focus on launching the specialty generics drugs in Upsher-Smith's portfolio as well as continuous ramping up facilities utilization rate to enhance our margin expansion as well as accelerated growth.

We completed our acquisition of the sterile injectables manufacturing facility in Camden Maryland from Emergent BioSolutions in August 2024, and we expect the facility to expand our spectrum of dosage forms to include injectables and further strengthen our large molecule capabilities. We plan to leverage this facility to offer clinical and commercial non-viral aseptic fill/finish services, such as lyophilization, vial filling, and pre-filled syringe filling, meeting growing demand for sterile injectables, particularly for producing antibody-drug conjugate products.

**Continue to implement a focused and disciplined M&A strategy that strengthens our core capacities and expand our global footprint**

We will continue to pursue strategic acquisition opportunities with a focused and disciplined approach to further increase our scale in terms of geographic reach and customer variety, and the scope of our services and products. In particular, we plan to focus on businesses that can strengthen our large molecule capabilities, such as capabilities on pre-clinical trials of phase 2A proof of concept and feasibility study and phase 2B controlled study performed on target patients. We will continue to follow rigorous standards in identifying targets, including CDMO capacity and capabilities, and facility location, drug portfolio, teams and experience while also aligning with our mission to expand globally.

We believe that, compared with large corporations or pure financial buyers, our track record of operational efficiency, deep industry expertise, strong brand recognition in Taiwan, the United States, and globally, along with our expansive global footprint and emerging next-generation leadership, potentially will enable us to efficiently negotiate and enter into transactions, better integrate the acquired businesses and help the combined company further expand post-transaction. We believe these attributes provide us with key advantages in the competitive M&A landscape and are instrumental in successfully executing our M&A strategies.

**Strengthen our R&D capabilities to support our businesses**

We will continue to focus on fortifying our R&D capabilities to support both our CDMO services and commercial sales business lines. Increased CDMO capabilities help us address drug development and manufacturing challenges for more customers, accelerate their development processes and increase our overall profit profits and subsequent economic benefits. Simultaneously, robust R&D capabilities in commercial sales help us expand our product portfolio with new and improved therapies, meet new market demands and improve our existing product quality. To actualize this edge, we will continue to invest effectively in equipment upgrades and new technologies and apply such new technologies for us to maintain stringent quality standards and regulatory compliance, utilize existing business platforms more efficiently, and continuously expand various growth drivers. For example, we plan to strengthen our R&D efforts to expand our capabilities on antibody-drug conjugates so that we may better understand the targeting and release process of the monoclonal antibodies. For more details, see "—Our Technology" below.

**Increase investment in talent recruitment and development**

We believe highly qualified, motivated and committed employees are critical to our long-term success. As we carry out our strategies and expand globally, we will continue to recruit talents from different background around the world, fostering an inclusive environment where employees can thrive and build enduring careers. Central to this initiative is also our dedication to accelerating the development of key leaders across current and future roles, ensuring they possess the capabilities and vision to drive our long-term expansion goals forward. We also plan to keep retaining and integrating the top management members after our future acquisitions as their deep understanding of the targets' operations brings tremendous value to streamline transition and accelerate growth. Their skillsets from their own distinctive and diverse backgrounds would also be enlightening to our existing talents. Complementing these efforts, we will also improve our on-the-job training and development programs to provide employees with continuous opportunities for enhancing their leadership and professional skills.

## MARKET OPPORTUNITIES

We are the largest CDMO service provider in Taiwan in terms of revenue from CDMO services in 2023, with global commercial sale operations aided by proprietary R&D capabilities. We believe a plethora of opportunities lie ahead in the sectors we operate in. According to the latest IQVIA statistical report, the total market size of pharmaceutical industry globally, which encompasses CDMO, drugs and other sectors in 2023, was approximately US$1.6 trillion, representing a growth of 8.4% from $1.48 trillion in 2022. The pharmaceutical markets in developed countries were the main driver of global pharmaceutical growth with the United States market projected to account for approximately 47.6% of the global pharmaceutical market by 2028, maintaining its position as the largest pharmaceutical consumption market globally.

On the CDMO front, according to data published by Market US research agency, the global CDMO market was approximately US$161 billion in 2023 and is expected to increase to around US$327.7 billion by 2033. The largest markets for CDMO services in 2023 were the United States and PRC, with the United States, PRC, India and Germany projected to be the major markets in the future. Several factors are expected to contribute to the growth of this market in the future, including the expansion of the generic drug sector, advancements in active pharmaceutical ingredient and finished dosage formulation manufacturing technologies, and an increase in the elderly population. Further attributing to this future potent growth are increased demand for advanced therapies, including genetics and innovative drugs, willingness to spend for new drug development and the industry's overall focus on clinical speed for new drug development.

For small and medium-sized pharmaceutical and biotechnological companies, utilizing CDMO services from third-party providers saves costs, mitigates risks and forms strategic partnerships that fosters efficiency, which is driving the growth of the CDMO market. As these small and medium-sized, innovative companies complete clinical trials and obtain new drug approvals, their commercialization needs will continue to drive the robust growth of the CDMO business.

On the generic drugs front, according to a survey report by Research and Markets, the global generic drug market is expected to increase from US$361.7 billion in 2022 to US$682.9 billion by 2030, with the United States and PRC being the main markets for generic drugs. The expansion largely relates to continuing expirations of patents for branded drugs. This growth is further driven by the increasing aging population and the rise in chronic diseases, prompting countries to promote the use of generic drugs to manage healthcare costs, because generic drugs offer the same efficacy as branded drugs but at lower prices. Currently, around 90% of prescriptions issued by hospital in the United States are for generic drugs, effectively meeting patients' medical needs and significantly reducing healthcare costs.

In the health supplements sector, Reportlinker predicts that the global functional ingredients market, valued at US$102.1 billion in 2022, will reach US$157 billion by 2027 with continued growth in probiotics and dietary fibers due to their associated health benefits, including improved gut health, cholesterol reduction, and blood sugar control.

## HISTORY

We were established in 2007 in Taiwan. Through both organic growth and strategic acquisitions, we have become the largest CDMO company in Taiwan in terms of revenue in 2023. We currently have ten manufacturing facilities, capable of developing and manufacturing both small and large molecule products and distributed a comprehensive portfolio of 75 general generics, five branded NDAs and two specialty generic drugs, addressing approximately 15 therapeutic areas.

Below is a summary of some of our key milestones since our inception:

| Date | Important Milestones |
|---|---|
| 2007 | Company established |
| 2013 | Established long term CDMO contracts with Eisai |
| | Acquired Tainan facility from Eisai |
| 2014 | Acquired Union Pharmaceuticals |
| 2017 | IPO on Taipei Stock Exchange |
| | Acquired Yuta Health |
| 2020 | Acquired our Canadian facility and established long term CDMO contracts with GSK |
| 2022 | Established Bora Biologics and acquired Eden Biologics |
| | Acquired TWi Pharmaceuticals and established United States pharma sales team along with 3 production sites |
| 2023 | Became the major shareholder of SunWay Biotech |
| | Listed on the Taiwan Stock Exchange |
| 2024 | Acquired Upsher-Smith in Minnesota with the first United States manufacturing site |
| | Consummated the agreement for Emergent BioSolutions' sterile manufacturing facility in Maryland |
| | Approved a strategic investment into Tanvex BioPharma to combine facilities for global biologics development and supply |

## OUR BUSINESS MODEL

We primarily have two business lines, which are global CDMO operations and global commercial sale operations. The table below sets forth the revenue contribution of our business lines for the years indicated:

| | For the years ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | (in NT$ thousands, except for %) | | | | | | | |
| Global CDMO operations | 4,406,648 | 89.9% | 4,796,110 | 45.7% | 4,951,059 | 34.9% | 2,630,451 | 33.4% |
| Global commercial sale operations | 491,376 | 10.0% | 5,689,865 | 54.2% | 9,235,525 | 65.0% | 5,250,295 | 66.6% |
| Others | 1,861 | 0.1% | 8,495 | 0.1% | 13,484 | 0.1% | 4,058 | 0.1% |
| **Total** | 4,899,885 | 100% | 10,494,470 | 100.00% | 14,200,068 | 100.00% | 2,857,493 | 100% |

At the core of our business philosophy is a commitment to innovation and quality in every facet of our operations. As a leading CDMO company, we primarily focus on CDMO services for both small molecule and large molecule projects around the world, with a robust portfolio of branded generics, specialty generics, general generics and OTC healthcare products that complement our core CDMO business. Our approach is grounded in the belief that by leveraging our expertise and resources, we can actualize a high growth and strong positive cash flow business. We strive to foster long-term partnerships with our customers, driven by service quality, efficiency and timeliness.

Under our dual-engine business model, we grow both organically and through acquisitions in expanding our scope and scale. Our CDMO services cover a wide range of dosage forms for both large and small molecule drugs, which help lower production costs for our commercial sales. This allows us to focus on R&D and sales in high-margin niche markets. At the same time, increased orders from our commercial sales business improve the economics of scales of our CDMO facilities, which in turn attracts more CDMO orders. On the other hand, our dual-engine structure unlocks acquisition opportunities to include targets with manufacturing capabilities, drug portfolios, and CDMO customers looking to divest branded drugs. This structure allows us to acquire either CDMO facilities or drug product lines with versatility and flexibility, without incurring significant costs on integration. We have accordingly been actively seeking for acquisition opportunities with a disciplined approach to expand the scope of our services and products and the scale of our operations, such as businesses that can help us serve CDMO customers in different sizes and technology levels, diversify our drug portfolio, broaden our geographic reach and increase our product capacities. In actualizing our vision, we have targeted underutilized facilities with strategic value and promising drug products and have transformed them into high-performing assets that enhance our CDMO services and global commercial sales.

### Global CDMO operations

By revenue, we are the largest CDMO service provider in Taiwan with small molecule and large molecule capabilities. Our CDMO business offers turnkey solutions for comprehensive services, encompassing development, testing, certification, and transportation, on both large and small molecule drugs and covers a broad spectrum of dosage forms, from tablets, capsules, semi-solid to liquids. With a service mentality, we tailor all our services to the specific types of medications and the unique requirements of our global customers. In 2021, 2022, 2023 and the six months ended June 30, 2024, revenue from our global CDMO services amounted to NT$4.4 billion, NT$4.8 billion, NT$5.0 billion and NT$2.6 billion, respectively, representing 89.9%, 45.7%, 34.9% and 33.4% of our net operating revenue for the respective periods.

Currently, we have ten facilities, including six facilities in Taiwan, three in the United States and one in Canada, including Emergent BioSolutions' sterile manufacturing facility in Camden Maryland, which we acquired in August 2024 to further our growth strategy. Other than the newly acquired facility in Camden, Maryland, which we are in the process of integrating into our Group, set forth below is an overview of our current facilities' locations, functions, sizes and annual capacities:

| Manufacturing Facilities | Main Functions | Facility Size | Annual Production Capacity[(1)] (as of June 30, 2024) |
|---|---|---|---|
| Zhongli Facility I & Facility II (Zhongli, Taiwan) .......... | Manufacturing of variety of dosage forms such as tablets, capsules and other formations | 14,409 square meters | Various dosage forms of 500,000,000 units |
| Taoyuan Facility (Taoyuan, Taiwan) ......... | Manufacturing of variety of dosage forms such as tablets, capsules and other formations | 9,280 square meters | Liquids: 50,000,000 units; Semi-solids: 16,000,000 units |
| Guantian Facility (Tainan, Taiwan)............ | Manufacturing of tablets, capsules and granules mostly for export | 6,245 square meters | Various dosage forms of 700,000,000 units |
| Zhunan Facility (Zhunan, Taiwan)........... | Manufacturing of oral solids and oral sustained-release capsules mostly for export | 37,348 square meters | Various dosage forms of 2,000,000,000 units |
| Zhubei Facility (Zhubei, Taiwan) ........... | Large molecule and small molecule development, along with production of antibody protein drugs | 5,885 square meters | N/A[(2)] |
| Canadian Facility (Ontario, Canada) .......... | Manufacturing of tablets, liquids and semi-solids for United States distributions | 183,000 square meters | Various dosage forms of 2,275,000,000 units |
| Maple Grove Facility & Plymouth Facility (Minnesota, United States)........................... | Manufacturing of oral solids, liquids and powders, packaging and pilot plant | 65,501 square meters | Various dosage forms of 3,500,000,000 units |

(1) Theoretical capacity

(2) The output value is determine according to the commissioned work project and there is no fixed mass production yet, hence not applicable.

In addition, the following table sets forth the production capacity volume of our products in terms of production for the years indicated:

| Main Product | | 2021 Production Capacity[(1)] | 2021 Production Volume | 2021 Production Value | 2022 Production Capacity[(1)] | 2022 Production Volume | 2022 Production Value | 2023 Production Capacity[(1)] | 2023 Production Volume | 2023 Production Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | | *For the years ended December 31,* | | | | | | | | |
| | | (Production capacity and production volume in thousands, except for production value in NT$ thousands) | | | | | | | | |
| Semi-solid dosage | tubes | 55,700 | 22,821 | 1,164,138 | 46,082 | 17,943 | 1,045,151 | 48,098 | 18,652 | 969,548 |
| | bags | – | – | – | 17,700 | 9,537 | 268,195 | 17,700 | 10,225 | 190,270 |
| Solid dosage | tablets | 809,204 | 695,125 | 724,682 | 1,508,025 | 797,004 | 876,726 | 2,014,829 | 1,235,528 | 1,820,910 |
| | pics | 800,000 | 133,135 | 441,013 | 1,600,000 | 145,817 | 718,268 | 1,600,000 | 201,820 | 740,583 |
| | bottles | 14,000 | 160 | 33,132 | 14,000 | 163 | 50,063 | 14,000 | 116 | 19,728 |
| Liquid dosage | bottles | 37,000 | 15,100 | 668,549 | 37,079 | 19,318 | 978,764 | 42,707 | 22,691 | 959,468 |
| Others | n/a. | – | – | – | – | – | – | 452 | 452 | 5,609 |
| **Total** | | N/A[(2)] | N/A[(2)] | 3,031,514 | N/A[(2)] | N/A[(2)] | 3,937,167 | N/A[(2)] | N/A[(2)] | 4,706,115 |

(1) Capacity refers to the company's quantities that can be produced using existing production facilities in normal operations.

(2) Not aggregated due to the different units of product.

With our production capacities covering such a wide array of dosage form and therapeutic areas, we have built a diversified customer base and cultivated meaningful relationships with our customers, which is extremely beneficial to us long-term: such that our revenue will grow organically as we help our biotechnology customers grow to commercialize their products. Our extensive global reach, as evidenced by our CDMO services in more than 100 countries, underscores our adeptness in leveraging advanced technology to effectively serve international markets. In 2022 and 2023, we had 17 and 24 new customers who contributed revenue, respectively. As of June 30, 2024, we had served more than 60 customers in our CDMO services, including but not limited to technology transfer service in early stage, packaging and commercial productions.

***Our Global CDMO business process***

Our CDMO business model is centered on establishing service contracts with pharmaceutical and biotechnology companies to provide comprehensive drug development and manufacturing solutions. We offer end-to-end services including process development, GMP manufacturing and packaging in our certified facilities, ensuring seamless integration from concept to commercial production. Our revenue is primarily generated through payments from long-term contracts with pre-determined target demand, lot size and minimum order quantity each year. This not only brings predicable and steady revenue streams over years, but also a flywheel effect where the value of our services grow as we help our customers grow.

In the development phase, we partner with pharmaceutical and biotechnology companies to transform their initial drug concepts into viable clinical candidates. This involves a range of specialized services including formulation development, analytical method development, stability testing, and clinical trial material for pre-production. Our development expertise ensures that drug candidates meet clinical trial standards in compliance with regulations, while also optimizing them for future scalability and manufacturability. In 2023 alone, we produced 1.4 billion doses in our CDMO businesses and added a total of 40 new development projects, including 36 small molecule products (three of which being new ophthalmic drug projects) and four large molecule products.

In the manufacturing phase, we produce finished dosage forms such as tablets, capsules and formulations in various other forms that are used for clinical trials or commercial sales. Utilizing our top tier facilities and advanced technologies, we ensure high-quality, scalable, and compliant production processes. Our capabilities range from small-scale clinical batches to large-scale commercial manufacturing, providing the flexibility to meet diverse customer needs. By managing the complexities of production, including rigorous quality control and regulatory compliance, we help our customers bring their therapies to market efficiently and reliably, securing a consistent revenue stream and fostering long-term customer partnerships.

Finally, we provide comprehensive packaging solutions, including primary and secondary packaging, labeling, and serialization, tailored to meet the specific requirements of each customer. Utilizing advanced technologies and adhering to stringent regulatory standards, we ensure that packaging is not only compliant but also optimized for patient safety and product integrity. By offering these end-to-end packaging solutions, we enhance the value chain and streamline the supply process.

***Overview of facilities***

Our pharmaceutical manufacturing capabilities are extensive and strategically located across ten state-of-the-art facilities, which empower us to meet customers' needs at various stages of contract manufacturing at various production speeds, including technology transfer, trial production, batch scaling and commercialization.

Our facilities are certified or approved under global standards and are in compliance with regulations of various countries including the United States, United Kingdom, Europe and Japan. We've gone through rigorous and demanding process to acquire the certifications and have maintained our high standards to ensure compliance. In particular, three of our ten facilities have obtained PIC/S GMP certifications and five with USFDA certifications. The PIC/S GMP certification is recognized internationally, facilitating easier access to global markets, while USFDA certification enables us to continue advancing in the United States, the main geographic region for our services. Our facilities can be grouped into large molecule and small molecule below.

*Our large molecule facility*

We operate a cutting-edge facility under our subsidiary Bora Biologics in Zhubei, which is focused on the production of biologics drug substance, including monoclonal antibodies, multi-specific antibodies, antibody-drug conjugates, fusion proteins and enzymes. This specialization highlights our advanced capabilities in the biologics sector, complemented by our newly acquired United States fill/finish facilities as discussed below. See "Summary—Recent developments" for transaction with Tanvex BioPharma with respect to Bora Biologics.

We consummated the transaction with Emergent BioSolutions to acquire its 87,000-sq.ft. sterile injectables manufacturing facility in Camden Maryland in August 2024. We expect this acquisition to further expand our spectrum of dosage forms to include sterile injectables, which will allow us to offers clinical and commercial non-viral aseptic fill/finish services, including lyophilization, vials filling and pre-filled syringe filling. Additionally, this acquisition will strengthen our large molecule capabilities in drug substance and drug product development.

*Our small molecule facilities*

In Tainan, our Guantian facility specializes in the production of tablets, capsules and granules. Complementing this, our facility in Zhunan, which can quickly adjust production capacities depending on customer demands, not only manufactures oral solid dosage forms but also excels in producing oral sustained-release capsules, showcasing our advanced formulation capabilities. Recently, our Zhunan facility has added a spray drying production line. This expansion is part of our broader strategy to enhance our process technologies, meet the diverse needs of our contract manufacturing customers, and pursue additional outsourcing opportunities.

Our Zhongli I, Zhongli II and Taoyuan facilities can conduct laboratory-scale trial production, batch scaling studies and registration batch production to meet all registration documentation requirements, are mostly dedicated to the production of various oral solid dosage forms, including sophisticated laser-drilled controlled-release formulations, suspensions and sterile ophthalmic preparations. These products are primarily manufactured for the US market, underscoring our commitment to meeting stringent regulatory standards and market demands. In addition, our Taoyuan facility is the only manufacturing site in Taiwan approved by the U.S. FDA for ophthalmic prescriptions drugs in the United States.

In April 2024, we acquired the esteemed century-old pharmaceutical entity, Upsher-Smith Laboratories, or Upsher-Smith, as a pivotal step in further propelling our reach forward in the United States. This strategic acquisition provides our first manufacturing site in the United States domestic market, one of the world's largest pharmaceutical markets. Upsher-Smith boasts two cutting-edge manufacturing facilities, one in Maples Grove and the other in Plymouth, both nestled in Minnesota, equipped to produce an array of dosage forms, including oral solids, powders (for oral and topical applications) and liquids, complemented by efficient packaging lines. The Maple Grove facility stands out as the largest single-site oral solid dosage form manufacturing plant in the United States, spanning over 56,000 square meters with dedicated warehousing and logistics amenities. In line with our disciplined M&A strategy to maximize facility and assets utilization, the integration of these facilities into our system bestows upon us substantial capacity advantages crucial for our CDMO operations, as both facilities in Minnesota are FDA-approved and GMP compliant with proven partnership model capable of multi-shift operations. In addition, this integration brings us a portfolio of 53 commercialized general generic drugs spanning several therapeutic areas including central nervous system, cardiovascular, endocrine and antibiotics and also a portfolio of 20 generic products in pipeline with seven products already submitted to the FDA across a variety of dosage form. For our future plans with Upsher-Smith, see "—Our Strategies—Continue to integrate recent acquisition into our operations."

In Canada, equipped with 18 types of production equipment models, including three pilot production sites, our facility is well positioned to produce a variety of dosage forms, including tablets, liquids (such as oral solutions and nasal sprays), and semi-solids (such as gels, creams and ointments). The facility has a small-scale trial production area to meet the demand for production scaling. In addition, this facility boasts multiple international certifications, establishing it as a globally recognized center of high-quality pharmaceutical manufacturing. The Canadian facility currently exports products to about 100 markets around the world. For detailed information on the detailed locations, square meters and production capacities of our facilities, see "—Global CDMO operations" above.

**Global commercial sale operations**

Our global commercial sales primarily entail offering general generics, specialty generics, and branded drugs in the United States, as well as healthcare products and OTC drugs in Taiwan. We also act as exclusive distributor for some branded drugs in Taiwan by partnering with international pharmaceutical companies to strengthen our local franchise. In 2021 2022, 2023 and the six months ended June 30, 2024, revenue from our global commercial sales operations amounted to NT$0.5 billion, NT$5.7 billion, NT$9.2 billion and NT$5.3 billion, respectively, representing 10.0%, 54.2%, 65.0% and 66.6% of our total operating revenue for these respective periods. As of June 30, 2024, the United States market accounted for 90% of our revenue from global commercial sales operations, while Taiwan represented the rest 10%.

Since 2023, our drug development strategy is shifting towards 505(B)(2) drugs and complex generics both with high market value potentials. By focusing on specialized therapeutic areas with significant unmet needs such as poliomyelitis and pediatrics diseases, we aim to expand our pipeline that offers strong market potential. Our expertise in manufacturing and process optimization will be crucial in ensuring efficient and scalable production of these niche drugs. This approach not only allows us to capitalize on our existing strengths but also positions us to deliver impactful solutions in areas where they are most needed, further increasing our profit margins.

***Commercialized drug and healthcare products***

The following table sets forth the selected information of our major commercialized products which contributed an important portion of our revenue in 2021, 2022 and 2023, or was expected to contribute to our future growth, as of June 30, 2024.

| Product | Treatment | Self-owned/licensed |
|---|---|---|
| **General generics** | | |
| Diltiazem hydrochloride | Hypertension; Angina | Self-owned |
| Potassium Chloride ER | Hypokalemia | Self-owned |
| Megestrol acetate | Anorexia, Cachexia | Self-owned |
| Sorafenib Tablets | Antineoplastics | Licensed |

| Product | Treatment | Self-owned/licensed |
|---|---|---|
| **Specialty generics** | | |
| Vigabatrin Powder...................... | Anticonvulsants | Licensed |
| Vigadrone Tablet........................ | Anticonvulsants | Self-owned |
| **High-entry-barrier generics** | | |
| Dexlansoprazole......................... | Proton-pump inhibitor | Self-owned |
| **Healthcare products** | | |
| Lendormin tablets ...................... | Insomnia | Licensed |
| Numient capsules....................... | Parkinson's disease | Licensed |
| ANKASCIN 568-R..................... | Prevention and treatment of Alzheimer's Disease | Self-owned |

We either hold the proprietary rights or have obtained sales rights (including licensed generic products) for our commercialized drugs. These drugs are sold mostly in the United States market. Overall, our commercialized drugs can be grouped under general generic drugs and specialty generic drugs.

For general generic drugs where we have obtained sales rights in Taiwan, multinational companies such as Boehringer, Ingelheim and Lundbeck have chosen us because of our strong sales and marketing capabilities, which in turn further enhance our partnerships with those companies. We have been the exclusive distributor for Lundbeck, developer for some of the world's most widely prescribed therapies for brain diseases, since 2024. We also distribute Numient and Const-K, provided at our Zhunan facility, further bringing strong synergy to our entire group.

For general generic drugs where we own the intellectual property rights, TWi Pharmaceuticals and Upsher-Smith have been on the forefront for us. TWi has been continuously developing high-entry-barrier generics and has also acquired branded generics such as Fivo XL for treating major depression disorders. Following the completion of the acquisition of Upsher-Smith in April 2024, we will add additional 38 self-owned drugs to our product portfolios spanning several therapeutic areas including central nervous systems, cardiovascular, endocrine and antibiotics.

For specialty generic drugs, Upsher-Smith has empowered us with two key specialty generic drugs since our acquisition in April 2024: Vigadrone launched in 2018 for treating seizure disorders and Isotretinoin co-developed in 2021 for treating severe nodular acne. With the increased R&D capabilities and warehouse logistics, we are looking to launch additional two new specialty generics in the second half of 2024 and make them accessible to a wider audience. On the high-entry-barrier complex drugs sector, TWi Pharmaceuticals has been the cornerstone of our success. Positioned as a pivotal product project development center, TWi Pharmaceuticals is dedicated to the advancement of high-entry-barrier generic drugs (ANDA) and 505(B)(2) new drug formulations specifically tailored for the United States market. Its expertise in developing and manufacturing complex specialty generics has allowed us to offer high-quality, affordable alternatives. This has enabled us to meet the needs of diverse patient populations while increasing our profit margins and still maintaining rigorous standards of quality and compliance. As of June 30, 2024, we have marketed over 20 high-entry-barrier generic drugs in the United States. The table below sets forth our material approved ANDA applications under Paragraph IV certifications in the United States as of June 30, 2024:

| Product | Indication | Form | Technology | Approval time | Launch time |
|---|---|---|---|---|---|
| Bupropion HCl (WELLBUTRIN XL) .................. | Depressive Disorder | ER tablet | Membrane-controlled | 11/2017 | Q4 2018 |
| Cyclobenzaprine hydrochloride (AMRIX)............ | Muscle relaxants | ER capsule | Pellets | 01/2013 | Q1 2019 |
| Testosterone (Androgel)........... | Hypogonadism | Gel 1.62% | Topical gel (pump) | 09/2019 | Q1 2020 |

| Product | Indication | Form | Technology | Approval time | Launch time |
|---|---|---|---|---|---|
| Choline fenofibrate (TriLipix)............ | Hypertriglyceridemia | DR capsule | Mini-tablets | 07/2019 | Q3 2020 |
| Dimethyl Fumarate (Tecfidera) .......... | Multiple sclerosis | DR capsule | Mini-tablets | 10/2020 | Q1 2021 |
| Testosterone (Axiron) . | Hypogonadism | Solution | Topical solution | 09/2021 | Q1 2023 |
| Dexlansoprazole (Dexilant) ........... | Proton-pump inhibitor | DR capsule | Pellets | 09/2022 | Q1 2023 |

In the health supplement market, our sales were mostly based in Taiwan. We have long operated our own brand of health supplements in Taiwan, IMMU BOOST, which has earned a strong reputation and a loyal consumer base. Our subsidiary, Bora Health, has successfully introduced health and skincare products from the Japanese manufacturer SSP and the French leader in over-the-counter medicines, BOIRON, exclusively marketed in Taiwan. These products are available in chain pharmacies and retail drugstores, with sales performance steadily increasing. In December 2023, we signed a cooperation agreement with Japan's Shionogi Healthcare Co., Ltd., securing exclusive distribution rights for their entire line of health food and over-the-counter products in Taiwan. We have launched the first flagship product, "Moringa Leaf Juice," in April 2024, further diversifying and enhancing our product offerings in the health market.

***Pipeline drugs***

In the second half of 2024, we have seven drug products, including two specialty generics and five general generics set to be launched. From 2025 to 2027, we plan to further launch 13 general generics, six specialty generics and three PIV certified generic drugs. On the long-term, we focus on expanding our drug portfolio both in terms of scope and scale. We plan to leverage USL's numerous generic products in pipeline and strong R&D capabilities with unique warehouse capacities to launch more branded generic drugs covering more therapeutic areas in the United States. Specifically, we plan to focus on treating central nervous system diseases and rare diseases where the market demand is increasing and the barrier to entry is still high. Moving into this sector helps us move upmarket with high gross margins and the fruits from our development, once successful, will be immense and long lasting. In addition, we plan to continue our efforts in the drugs for central nervous systems, where USL has been plowing for years. As more people enter into the elderly age group, they become more susceptible to central nervous systems disorders and our drugs will focus on alleviating their symptoms of neurological disorders and thus improving quality of life.

In addition, for healthcare products, SunWay Biotech has amassed extensive R&D experience with NTU568 red yeast rice and NTU101 lactic acid bacteria. We will continue to leverage its exclusive patented technology and diverse expertise in microbiological and fermentation processes. This will pave the way for developing new functional raw materials and a range of innovative derivative healthcare products.

We also are working on various dosage forms to improve both our general and specialty generic drugs, further setting up a technological barrier against competitions who mainly focus on prices. These projects, although demanding and high-risk, promise substantial market value by addressing unmet medical needs. See "—Our Technology—Broad spectrum of advanced/high-entry-barrier dosage forms" below.

## OUR TECHNOLOGY

We possess a deep bench of technology and are committed to ongoing investment to better serve our CDMO customers while moving upmarket with specialty generic drugs. Our dedication to technological advancement enables us to deliver high-quality products and services to our customers while remaining at the forefront of innovation in the industry, as reflected in us more than doubling our research and development expenses from NT$129.1 million in 2022 to NT$298.2 million in 2023 with approximately 80% of our R&D team, comprising 79 members in 2023, holding master's or Ph.D. degrees. We will continue to invest strategically in technology to strengthen our capabilities and drive continuous improvement, ensuring we remain a trusted partner in the pharmaceutical sector.

**Large molecule technology**

Our business is distinguished by its robust large molecule technology via our home-grown subsidiary, Bora Biologics, which is integral to the development and manufacturing of complex biologic drugs. This technology encompasses various aspects, including gene therapy, antibody-drug conjugate, process optimization, and bioprocessing. With a focus on scientific rigor and technical expertise, we strive to meet the unique challenges associated with large molecule drug development, such as ensuring stability, purity, and potency. Through continuous innovation and adherence to industry best practices, we aim to provide reliable and high-quality solutions to our customers in the biopharmaceutical sector. See “Summary—Recent developments” for transaction with Tanvex BioPharma with respect to Bora Biologics.

**Small molecule technology**

We also pride ourselves on our advanced small molecule technology under Bora Pharmaceutical Laboratories and Bora Pharmaceutical Services. Our expertise in this domain encompasses various aspects, including chemical synthesis, formulation development and analytical method optimization. We focus on leveraging cutting-edge technologies and scientific principles to address the unique challenges associated with small molecule drug development, such as optimizing drug potency, bioavailability, and synthesis efficiency. Through meticulous research and development efforts, we continuously refine our processes to ensure efficiency, reliability and regulatory compliance.

In addition, we offer a sustained-release control platform for our ophthalmic specialty generic drugs in our semi-liquids and liquids. Unlike conventional eye drop formulations, ophthalmic ointments use a water-in-oil delivery system to enhance absorption and slowly release the drug, improving efficacy and prolonging action, thus reducing medication frequency and side effects. With the rise of ophthalmic diseases due to increased electronic device use, this specialized market has low competition due to high manufacturing requirements. Bora Pharmaceuticals Ophthalmic’s Taoyuan facility passed the U.S. FDA’s Pre-Approval Inspection in late 2022, marking a significant milestone for entering the United States market with ophthalmic drug products.

**Our process amplification technology**

With our leading logistics and process management technology, we are capable of meeting customers’ needs at various stages of CDMO, including technology transfer, trial production, batch scaling and commercialization. Our customers often start with small-scale production to gauge market acceptance, so we ensure our facilities can handle these initial needs. As demand grows, we can rapidly scale up production without disrupting other productions lines. Our diverse pharmaceutical manufacturing facilities cater to various dosage forms, capacities, and production volumes, ensuring seamless collaboration with customers. With our high scheduling flexibility and professional project management department, we offer exceptional production adaptability to meet a wide range of batch and packaging requirements.

**Broad spectrum of advanced/high-entry-barrier dosage forms**

Our technology in dosage forms aim to enhance efficacy, reduce side effects, and improve convenience, aimed to lift us upmarket where higher gross profit margins can be found.

Our oral controlled-release formulations in our tablets and capsules allow for precise adjustment of drug release rates and duration within the body. By regulating drug circulation, they decrease the need for frequent dosing, leading to enhanced user convenience, increased efficiency, and minimized side effects. These formulations set us apart from other generic competitors in the United States market whose controlled-release oral formulations are often highly substitutable. With the future rollout of our own formulations, we will move into the high-entry-barrier products space, where competition is less intense compared to general generic drugs without resorting to low prices.

Our film-coated and release-controlled tablets are coated with a specialized, safe polymer material like ethylcellulose, poly(meth)acrylates, or hydroxypropyl methylcellulose phthalate to ensure uniformity. Upon oral intake, this outer coating regulates water entry into the dissolved drug and controls its release. By maintaining therapeutic concentration and efficacy in the bloodstream for 24 hours, this technology enables once-daily dosing, enhancing convenience and minimizing side effects.

Our oral quick-disintegrating tablet dosing system is ideal for the elderly, children, and psychiatric patients. The tablets disintegrate immediately in the mouth, addressing the common issue of swallowing difficulties and significantly improving the convenience of administration.

Our special multi-dose technology consists of numerous drug particles or pellets within a single tablet, which can be split in half as needed. The homogeneous distribution of these drug-containing particles ensures stable dose control, even when the tablet is divided. Additionally, the pellets are treated with a special technique that allows the tablet to disintegrate in water after stirring for a few minutes. Patients can then drink the water containing the pellets for therapeutic purposes, or the disintegrated granules can be used in nasogastric tubes, enhancing the convenience of drug administration.

## SALES AND MARKETING

The majority of our net operating revenue was generated from sales in the United States. The table below sets forth the revenue contribution by geographical region for the years indicated:

| | For the years ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| **Regions** | **2021** | | **2022** | | **2023** | | **2024** | |
| | | | | (in NT$ thousands, except for %) | | | | |
| United States | 861,593 | 17.6% | 6,514,496 | 62.1% | 10,955,390 | 77.2% | 6,009,926 | 76.2% |
| Europe | 3,393,270 | 69.3% | 3,129,288 | 29.8% | 2,080,540 | 14.7% | 999,367 | 12.6% |
| Taiwan | 645,022 | 13.2% | 850,686 | 8.1% | 1,053,207 | 7.4% | 775,424 | 9.8% |
| Others | – | – | – | – | 110,931 | 0.8% | 106,087 | 1.4% |
| **Total** | 4,899,885 | 100% | 10,494,470 | 100% | 14,200,068 | 100% | 7,884,804 | 100% |

We have built a comprehensive sales and marketing network by collaborating with established pharmaceuticals companies and major distributors. We also sell products directly to clinics, pharmacies, pharmacy chains and drug stores.

### Global CDMO operations—collaboration with pharmaceutical companies

For our CDMO contracts, we provide services on commission. Our key customers include GSK, a leading global healthcare company known for its strong presence in oncology and respiratory treatments, Amneal, a United States-based pharmaceutical company specializing in general generic and specialty generic drug manufacturing, and Eisai, a leading Japanese pharmaceutical company recognized for its advancement in Alzheimer’s and cancer therapies. We mainly collaborate with GSK and Amneal in the United States and Eisai in Taiwan. Through strategic partnerships and collaborations, we not only expand our customer base but also position ourselves as a trusted and reliable partner in the industry. These collaborations enable us to leverage our CDMO capabilities to meet the diverse needs of pharmaceutical customers, driving revenue growth and fostering long-term relationships.

### Global commercial sale operations—sales through distributors

We strategically partner with select distributors who hold significant influence and market reach in the pharmaceutical industry. These central distributors play a pivotal role in driving sales and market penetration for our drug products across the United States. Their extensive networks and established relationships with healthcare providers, pharmacies and other retail outlets enable us to efficiently distribute and promote our products to a wide audience.

**Global commercial sale operations—direct sale to customers**

We also employ a direct sales approach targeting pharmacies, drug stores and clinics as part of our sales and marketing strategy. By establishing direct relationships with these customers, we can better understand their unique needs and preferences, tailor our product offerings accordingly, and provide personalized support and services. Direct sales allow us to bypass intermediaries, enabling faster response times, more efficient communication, and greater control over the sales process.

## RAW MATERIALS AND SUPPLY

We source raw materials through domestic purchases and foreign imports. We maintain long-term collaborative relationships with domestic manufacturers, while raw materials imported from abroad are primarily sourced through overseas traders. Before collaboration, we thoroughly evaluate raw materials and suppliers to ensure quality and reliability. By fostering friendly relationships with alternative suppliers and adopting a decentralized purchasing approach, we mitigate reliance on any single supplier and minimize the risk of material shortages. In 2021, 2022, 2023 and the six months ended June 30, 2024, procurement from two of our largest suppliers accounted for 43.5%, 29.3%, 21.2% and 12.3% of our total net amount of purchases, respectively. As a result, we and our subsidiaries have not experienced any disruptions due to material shortages.

## COMPETITION

We focus on two main product categories: pharmaceutical CDMO and commercial sale of drugs and healthcare products. Our CDMO business provides turnkey solution to our customers. Currently we compete primarily with international CDMO companies that adopt similar turnkey model. We compete based on our global reach and market access as evidenced by the portfolio of international CDMO customers we have served, our scalability and flexibility, our experienced R&D staff, our regulatory expertise, and cost efficiency with our leading logistics and packaging capabilities. We further differentiate ourselves through unique service offerings, such as specialized formulation development, advanced analytical services, integrated drug development and specific manufacturing solution. The principal factors relating to CDMO competitions include quality and compliance, reputation, technological capabilities, service offering scope, and cost efficiency. We believe our strong strengths described herein afford us competitive advantages relative to our competitors who may not be as flexible as us, especially with the newly acquired Upsher-Smith to further tap into the United States market.

Our sales of drugs and healthcare products primarily compete with pharmaceutical companies that target the market of generic drugs and OTC healthcare products. We compete based on our technological and process innovation, raw materials management, quality assurance, knowledge on regulatory compliance and economies of scale where we efficiently manage our facilities' production capacities. The principal factors relating to drug products competitions include prices, quality and compliance, manufacturing capabilities, intellectual property strategies, brand recognition, and distribution management. We believe that effectively executing our strategy in identifying upmarket space and offering high-entry-barrier products affords us competitive advantages relative to other generic drug manufacturers that mainly use low prices.

## EMPLOYEES

As of December 31, 2023, we had 1,433 employees, compared to 1,287 employees as of December 31, 2022. As of December 31, 2023, approximately 90% of our employees held a bachelor's degree or higher educational qualification. As of December 31, 2023., approximately 79% of our R&D employees held a master's degree or higher educational qualification with average 9 years of R&D experience. The following table sets forth the number of our employees by function and geographic location as of December 31, 2023:

| | Taiwan | | North America | |
|---|---|---|---|---|
| **Function** | **Number of employees** | **% of total employees** | **Number of employees** | **% of total employees** |
| General and administrative | 930 | 48% | 855 | 44% |
| Research and development | 79 | 4% | 0 | 0% |
| Sales and marketing | 37 | 2% | 34 | 2% |
| **Total** | 1,046 | 54% | 889 | 46% |

Our success is largely dependent on our ability to attract, retain, train and motivate skilled and qualified research and management personnel. We have devoted significant attention and resources to recruit and train our employees in order to enhance their professional capabilities and to instill the qualities that are essential to enable us to realize our long-term goals. We recruit graduates from colleges and universities. We also recruit employees through various other channels, including postings on job recruitment websites and human resource agents. From time to time, we employ senior technical and managerial personnel through executive search firms.

Employee salaries are reviewed and adjusted annually. Salaries are adjusted based on our corporate profitability, the employee's performance and industry benchmarks. As an incentive, we offer year-end and festival bonuses, wedding subsidies, and stock options and performance bonuses based on operating conditions. We believe our wages are competitive with other Taiwanese companies in our industry.

In accordance with the ROC's Labor Pension Act, we contribute 6% of employees' monthly wages to their individual accounts at the Labor Insurance Bureau, based on the government's prescribed wage grading scale. Employees also have the option to voluntarily make additional contributions of up to 6% of their monthly wages.

We consider our relationship with our employees to be good and our employees are not covered by any collective bargaining agreement. We have established smooth communication channels to maintain good relations with our employees, enhance productivity, share profits, and foster stable and harmonious labor relations. In 2022 and 2023, we did not experience any major disputes with our employees and did not suffer from any strikes.

## PROPERTIES

Currently, six of our ten manufacturing facilities are located in Taiwan, three in the United States and one in Canada. For more information on our manufacturing facilities including their main functions, products, sizes and capacities, see "—Our Business Model—Global CDMO operations." As of June 30, 2024, all of our facilities obtained relevant licenses and approvals, such as water pollution control permit and stationary pollution source prevention and control permit, to conduct their respective manufacturing and development activities in their respective jurisdictions.

## AWARDS AND ACCOLADES

As a result of our continuous investments in its research and development capacities, we have earned industry-wide recognition for our leading position and top-tier management as a pioneer in the CDMO service and drug products sectors. For instance, we have been awarded the 2024 Presidential Innovation Award personally handed by Tsai Ing-wen. Set forth below are some of our major awards and achievements since 2015:

| Awards and Recognition | Awarding authority | Award Year |
|---|---|---|
| Top 10 Outstanding Enterprises in the 12th Golden Torch Award | Outstanding Enterprise Manager Association | 2015 |
| Most Innovative M&A Deal of the Year. | MAPECT Taiwan | 2018 |
| Best companies to work for in Asia | HR Asia Awards | 2019 |
| CEO of the Year | CPhl Pharma Awards | 2020 |
| Bronze Medal for healthcare | Taiwan Corporate Sustainability Award by TAISE | 2022 |
| High-Growth Companies Asia-Pacific (only Taiwan company to win) | Financial Times | 2023 |
| Bronze medal for healthcare | Taiwan Corporate Sustainability Award by TAISE | 2023 |

| Awards and Recognition | Awarding authority | Award Year |
|---|---|---|
| Outstanding Company of the Year | Bio-Asia Taiwan | 2023 |
| Manufacturing Excellence Award (awarded to USL) | Twin Cities Business | 2023 |
| Presidential Innovation Award (first pharmaceutical company to twin) | Office of the President of Taiwan | 2024 |
| Best companies to work for in Asia | HR Asia Awards | 2024 |
| Most Caring Company | HR Asia Awards | 2024 |

## INSURANCE

We maintain insurance policies in respect of our assets, including our office buildings and production facilities situated in Taiwan, Canada and the United States, with independent third-party insurers. These policies cover losses arising from fire and earthquakes and other natural calamities in respect of buildings, machinery and equipment and inventories. We also maintain insurance policies with independent third-party insurers with respect to our goods in transit covering loss due to shipping accidents. In addition, we maintain product liability insurance policies in respect of our products.

## ENVIRONMENTAL MATTERS AND SAFETY

Our operations and facilities are subject to environmental laws and regulations stipulated by the ROC, Canadian and United States government. Relevant laws and regulations include provisions governing air emissions, water discharges and the management and disposal of hazardous substances and wastes. The ROC Basic Environment Act defines and encourages the protection of Taiwan's natural environment and resources. Of primary importance for our operations in the ROC are the compliance of the Water Pollution Control Act, Air Pollution Control Act, Waste Disposal Act and Toxic and Concerned Chemical Substances Control Act. Violation of any of these statutes can result in criminal liability for companies, as well as their representatives and employees. Standards for water and air emissions vary based on industry, location and amount. Our operations are in compliance in all material respects with applicable environmental laws and regulations.

## LEGAL PROCEEDINGS

We may from time to time be subject to various complaints, allegations or lawsuits claiming in the ordinary course of business. Such complaints, allegations or lawsuits, whether or not they have merit, may result in our expending of significant financial and management resources, injunctions against us or payment of damages. The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event defending against these claims could be both costly and time-consuming. These risks may be amplified by the increase in the number of third parties whose sole or primary business is to assert such claims. For more details, see "Risk Factors—Risks Relating to Our CDMO Business" and "Risk Factors—Risks Relating to Our Commercial Sale Business."

In addition, due to the nature of the Paragraph IV certification process where the patent-holder, upon submission of a Paragraph IV certification by a challenger who intends to invalidate its patent, will enjoy an automatic 30-month stay of FDA approval for the challenger's generic product once the patent holder files an infringement lawsuit against the challenger As of the date of this Offering Circular, we are both plaintiffs to protect us against the challengers in some lawsuits and defendants in other lawsuits to gain new market share against the patent-holders, all in the ordinary course of the Paragraph IV certification process. As of the date of this Offering Circular, in two of those Paragraph IV related litigations, our counterparties have agreed on the major terms of settlement. For more details on the lawsuits, see "Risk Factors—Relating to Our Commercial Sale Business—Both our generic and brand competitors might strategize legal and legislative avenues, such as "authorized generics", and this may increase the costs of introducing or marketing our generic products. These strategies could delay or prevent generic product introductions and adversely affect our financial conditions and results of operations."

Our subsidiary Upsher-Smith, acquired in April 2024, is currently a defendant to claims brought by state officials as well as private plaintiffs in the United States and Canada alleging that Upsher-Smith, together with other pharmaceutical companies, systematically engaged in conspiracies to fix prices and willfully allocate market share of generic products to the detriment of consumers in the United States and Canada, prior to our acquisition of Upsher-Smith. Upsher-Smith is a party defendant in various cases all related to this antitrust contention and being sued for a number of generic drugs. As of the date of this Offering Circular, the case remains in fact discovery into April 2025, to be followed by expert discovery and class certification. The drugs at issue will likely to be marketed as usual despite any outcome. See "Risk Factors—Risks Relating to Our Commercial Sale Business—We are subject to antitrust lawsuits out of our commercial sale products related to competition and pricing in the United States and around the world, which may expose us to significant damages and commercial restrictions that can materially and adversely affect our financial conditions and results of operations."

## GENERAL

The ROC Company Law and our Articles of Incorporation provide that our board of directors is elected by the shareholders and is responsible for the management of our business. The election of our directors by our shareholders is conducted by means of cumulative voting pursuant to the ROC Company Law. The Company has 8 directors, among them 4 are independent directors. Directors serve up to a term of 3 years and the consecutive terms may not exceed three terms for principle. Directors may be removed from office at any time for a bona fide reason, including breach of duties, by a resolution adopted at a shareholders' meeting. Our current directors were elected at the ordinary shareholders' meeting held on June 6, 2023, and their terms expire on June 5, 2026. The next election for all of the directors is expected to be held in 2026. Pursuant to the ROC Company Law, a person may serve as our director in his/her personal capacity or as the representative of another legal entity (excluding independent directors, which should serve as our director in his/her personal capacity). Our board of directors is empowered to appoint executive officers to serve until appointed successors are qualified.

Each of our directors and senior executive officers listed below can be reached at our office at 6F No. 2, Alley 36, Lane 26, Ruiguang Road, Neihu District, Taipei City 114, Taiwan.

The following table shows information regarding all of our directors and executive officers as of July 31, 2024:

| Name | Position | Number of Shares held as of July 31, 2024 | Percentage of Shares held as of July 31, 2024 |
|---|---|---|---|
| Sheng Pao-Shi | Chairman, CEO | 5,392,672 | 5.31% |
| TA YA VENTURE CAPITAL CO., LTD. (Representative: Shen Shang-Hung) | Director | 4,041,318 | 3.98% |
| Baolei Co. Ltd. (Representative: Chen Kuan-Pai) | Director | 18,704,939 | 18.42% |
| Chen Shih-Min | Director | 1,067,746 | 1.10% |
| Lin Jui-Yi | Independent Director | – | – |
| Lai Ming-Jung | Independent Director | – | – |
| Lee Yi-Chin | Independent Director | – | – |
| Lin Hsin-Yi | Independent Director | – | – |
| Tom Chang | Senior Vice President | 67,737 | * |
| Chang Hsiu-Jung | Vice President | 10,187 | * |
| Alice Wang | VP, Director of Finance and Accounting Division | 196,428 | * |
| Frank Chen | Vice President of Information Technology | – | – |
| Raymond Lee | VP, Director of Information Technology Division | 78,480 | * |
| Ellen Chen | Director of Human Resource Department | 3,000 | * |
| Ting Chen | Vice Director, Finance and Accounting Division | 3,000 | * |

*Note:*

* represents less than 1% of percentage of shares held

Sheng Pao-Shi has served as our Chairman and Director since 2009. Currently, Mr. Sheng also serves as our General Manager because given we are still in our early stage of development, the Chairman serving as the General Manager will help us in facilitating business operations and effective communications with the Board of Directors. Mr. Sheng, among other concurrent positions, is also the Chairman of Union Pharmaceutical Co., Ltd., Director of Wellpool Co., Ltd. and Independent Director of Gamania Digital Entertainment Co., Ltd. Previously, Mr. Sheng served as General Manager of Hoan Pharmaceuticals Ltd. Mr. Sheng received his Bachelor of Economics degree in University of California, Berkeley.

Shen Shang-Huang has served as the representative to TA YA's directorship since 2014. Mr. Shen, among other concurrent positions, is the Chairman of TA YA, Chairman and CEO of TA YA Electric Wire & Cable Co., Ltd., and Chairman of United Electric Industry Co., Ltd. Previously, Mr. Shen served as Manager of Electronic Engineering Department in AT&T U.S. Mr. Hsieh received his bachelor's degree in electrical engineering from National Taiwan University and MBA from Emory University.

Chen Kuan-Pai has served as the representative to Bao Lei's directorship since 2019. Mr. Chen, among other concurrent positions, is the Chairman of Hundred River International Investment Corp and the Independent Director of TECO Image Systems Co., Ltd. Mr. Chen received his MBA from University of Southern California.

Chen Shih-Min has served as our Director since 2014. Mr. Chen also serves as Vice President and Representative of juristic person director of our subsidiary Bora Pharmaceutical Laboratories Inc. and Vice President of our subsidiary Bora Health Inc. Previously, Mr. Chen served as Business Development Manager of Hoan Pharmaceuticals Ltd. and Product Manager of H.Lundbeck A/S Denmark. Mr. Chen received his master's in chemistry from National Chung Hsing University.

Lin Jui-Yi has served as our Independent Director since 2015. Mr. Lin, among other concurrent positions, serves as Chairman of STARTRII Co., Ltd., Independent Director of Gamania Digital Entertainment Co., Ltd. and Director of Shung Ye Investment Co., Ltd. Mr. Lin received his MBA from George Washington University.

Lai Ming-Jung has served as our Independent Director since 2017. Mr. Lai, among other concurrent positions, serves as Independent Director of China Life Insurance Co., Ltd. Previously, Mr. Lai served as Executive Director in the Advisory Department of EY Taiwan. Mr. Lai received his EMBA in Advanced Finance from National Chengchi University.

Lee Yi-Chin has served as our Independent Director since 2017. Mr. Lee, among other things, serves as Managing Director of FCC Partners Inc. and Chairman of Octoverse International Co., Ltd. Previously, Mr. Lee served as senior consultant in McKinsey & Co. and President of China Food Co., Ltd. Mr. Lee received his master's and PH.D. in Civil Engineering from Stanford University.

Lin Hsin-Yi has served as our Independent Director since 2023. Ms. Lin is a partner at Lex Pro Attorney-at-Law. Ms. Lin received his master of law from Columbia University.

## AUDIT COMMITTEE

In accordance with relevant law, we have set up the Audit Committee in 2017. On June 6, 2023, our board of directors resolved to appoint Lai Ming-Jung as convener, and Lin Jui Yi, Lee Yi-Chin and Lin Hsin-Yi as members to our Audit Committee for a term of 3 years. All of our Audit Committee members are independent directors. Our Audit Committee assists the Board of Directors in fulfilling its duties in supervising the Company in implementing the procedures for accounting, audit and financial reporting, and ensuring the quality and loyalty in financial control, so as to improve the operation efficiency of the Board.

## COMPENSATION COMMITTEE

Our compensation committee consists of Lai Ming-Jung, Lin Jui-Yi and Lee Yi-Chin. Lai Ming-Jun is the convener of our Compensation Committee. The current term of office is from June 6, 2023 to June 5, 2026. All of our Compensation Committee members are independent directors. Our Compensation Committee conducts regular review of the performance evaluation and remuneration policies, systems, standard and structure of the directors and managerial personnel, as well as conducting regular evaluation and setting the remuneration of the directors, supervisors and managerial personnel.

## COMPENSATION

The aggregate remuneration paid and benefits in kind granted by us to our directors in their capacity as such for the year ended December 31, 2021, 2022 and 2023 was NT$10.3 million, NT$17.6 million and NT$30.6 million (US$0.9 million), respectively.

The aggregate remuneration paid and benefits in kind granted by us to our general managers and vice presidents in their capacity as such for the year ended December 31, 2021, 2022 and 2023 was NT$20.4 million, NT$46.6 million and NT$67.7 million (US$2.09 million), respectively.

As of June 30, 2024, except as otherwise disclosed in this Offering Circular, neither we nor any of our subsidiaries had made any loans or advances or guarantees in relation to loans or advances received by our directors and executive officers, and none of our directors and executive officers has or has had interests in transactions which are or were unusual in their nature or conditions or significant in relation to our business or any of our subsidiaries' business during the current fiscal year or the fiscal years of 2021, 2022 and 2023, and remain, in any respect, outstanding or unperformed.

## SHARE OWNERSHIP

The following table sets forth, to the best of our knowledge, certain share ownership information with respect to the ten largest holders of record of our Common Shares and our board of directors and executive officers as a group as reflected in our annual report for financial year 2023. As a result, the information below may not reflect the exact share ownership as of the date of this Offering Circular.

| Name | Number of Common Shares | Percentage of Total Issued Common Shares |
|---|---|---|
| | | % |
| Bao Lei | 18,704,939 | 18.55% |
| Rui Bao Xin Investment Co. Ltd. | 11,563,676 | 11.47% |
| Sheng Pao-Shi | 5,356,672 | 5.31% |
| TAYA | 3,893,482 | 3.86% |
| Schotten Limited | 3,554,619 | 3.53% |
| Jiang Zhi Rong | 2,031,336 | 2.01% |
| Bao En International Co., Ltd. | 1,505,442 | 1.49% |
| Hundred River International Investment Group | 1,180,000 | 1.17% |
| Chen Shih Min | 1,112,746 | 1.10% |
| Jia Xi International Co., Ltd. | 1,112,360 | 1.10% |
| **Total** | **50,215,272** | **49.59%** |
| Directors | 29,068,839 | 28.82% |
| Executive Officers | 6,859,250 | 6.79% |

None of the major holders of our Common Shares has different voting rights from those of the other holders of our Common Shares.

## CHANGES IN ISSUED SHARE CAPITAL

According to our Articles of Association, we have only one class of capital stock: Common Shares with a par value of NT$10 per share. Currently, our Circular and Articles of Association provide that our authorized share capital is NT$2,000,000,000 divided into 200,000,000 Common Shares.

The following table shows the increases in our issued share capital since incorporation.

| Record Date | Type of Issue | Number of Common Shares Issued | Cumulative Number of Common Shares Issued After Issuance |
|---|---|---|---|
| June 2007 | Recruitment and Establishment | 200,000 | 200,000 |
| October 2011 | Cash Capital Increase | 800,000 | 1,000,000 |
| December 2012 | Cash Capital Increase; Debentures against Stock Dividends | 3,000,000 | 4,000,000 |
| February 2013 | Cash Capital Increase | 8,400,000 | 12,400,000 |
| March 2013 | Debenture against Stock Dividends | 2,000,000 | 14,400,000 |
| June 2013 | Cash Capital Increase | 4,450,000 | 18,850,000 |
| January 2014 | Cash Capital Increase | 2,000,000 | 20,850,000 |
| July 2014 | Cash Capital Increase | 1,600,000 | 22,450,000 |
| August 2016 | Capitalization of Retained Earnings | 898,000 | 23,348,000 |
| April 2017 | Cash Capital Increase | 3,114,000 | 26,462,000 |
| August 2018 | Cash Capital Increase | 3,000,000 | 29,462,000 |
| August 2019 | Corporate Bond Conversion; Capitalization of Retained Earnings | 8,947,108 | 38,409,108 |
| November 2019 | Corporate Bond Conversion | 1,018,141 | 39,427,249 |
| March 2020 | Cash Capital Increase | 2,200,000 | 41,627,249 |
| November 2020 | Capitalization of Retained Earnings | 12,488,175 | 54,115,424 |
| September 2021 | Capitalization of Retained Earnings | 13,528,856 | 67,644,280 |
| December 2021 | Employee Stock Warrant | 768,000 | 68,412,280 |
| February 2022 | Employee Stock Warrant | 66,000 | 68,478,280 |
| May 2022 | Employee Stock Warrant | 51,000 | 68,529,280 |
| September 2022 | Capitalization of Retained Earnings | 6,852,228 | 75,381,508 |
| April 2023 | Corporate Bond Conversion; Employee Stock Warrant | 2,053,309 | 77,434,817 |
| August 2023 | Capitalization of Retained Earnings | 23,396,036 | 100,830,853 |
| December 2023 | Corporate Bond Conversion; Employee Stock Warrant | 581,955 | 101,412,808 |
| February 2024 | Corporate Bond Conversion; Employee stock warrant | 77,320 | 101,490,128 |
| June 2024 | Corporate Bond Conversion | 60,000 | 101,550,128 |

## DESCRIPTION OF OUR SHARE CAPITAL

*Set forth below is certain information relating to our capital stock, including brief summaries of certain provisions of our Articles of Incorporation, the Securities and Exchange Act of the ROC, or the ROC Securities and Exchange Act, and the regulations promulgated thereunder, and the Company Act of the ROC, or the ROC Company Act.*

### GENERAL

As of the date of this Offering Circular, our authorized share capital registered with the MOEA is NT$2,000,000,000, and our paid-in share capital is NT$1,015,501,280, divided into 101,550,128 Shares with a par value of NT$10 per share. Any change in the authorized share capital of a public company limited by shares, such as us, requires an amendment to our Articles of Incorporation (which requires approval at a shareholders' meeting). Authorized but unissued shares may also be issued at such times and, subject to the provisions of the applicable laws and the approval of, or registration with, the MOEA and the FSC, upon terms that our board of directors may determine. Except as disclosed in this Offering Circular, we do not as of the date of this Offering Circular have any equity in any other forms such as preferred shares, preferential subscription rights, exchangeable debt securities or warrants other than the Shares. The Company issued NT$1,700,000,000 Domestic Convertible Bonds Due 2028 on August 4, 2023 and NT$1,699,700,000 is still outstanding as of June 30, 2024. In addition, the Company issued a series of Employees Stock Warrants as part of its talent retention plan. Under the issuance plan approved by the FSC in 2020, the Company issued 275 units on 29 December 2020 and 598 units on August 13, 2021 where each unit representing the right to purchase 1,000 common shares of the Company with a vesting period of five years. As of June 30, 2024, 630 units are outstanding under this issuance plan. Under the issuance plan approved by the FSC in 2021, the Company issued 477,000 units on May 11, 2022, 160,000 units on August 31, 2022, 345,000 units on December 8, 2022 where each unit representing the right to purchase 1 common shares of the Company with a vesting period of four years. As of June 30, 2024, 976,000 units are outstanding under this issuance plan. Lastly, under the issuance plan approved by the FSC in 2023, the Company issued 535,000 units on September 19, 2023, 10,000 units on November 14, 2023, and 264,000 units on March 11, 2024 where each unit representing the right to purchase 1 common shares of the Company with a vesting period of five years and the remaining 191,000 units approved under this insurance plan will be void null and void if Company does not complete the issuance of such units by the time prescribed by the FSC. As of June 30, 2024, 996,000 units are outstanding under this issuance plan.

For completeness, certain subsidiaries of the Company also issued Employees Stock Warrants to their respective employees.

- As of March 2024, 1,696 units of Employees Stock Warrants issued by Bora Biologics Co., Ltd., the Company's subsidiary, are all vested and still outstanding. Each of such Employees Stock Warrants represents the right to purchase 1,000 common shares of Bora Biologics Co., Ltd.

- TWI Pharmaceuticals, INC., resolved to issue 3,000 units of Employees Stock Warrants, each unit representing the right to purchase 1,000 common shares of TWI Pharmaceuticals, INC. with a vesting period of two years, in 2022. As of June 2024, 1,886 units were issued while only 1,668 units are outstanding.

All issued and outstanding Shares are fully paid and in registered form.

### PRE-EMPTIVE RIGHTS AND ISSUE OF NEW SHARES

The ROC Company Law provides that between 10% to 15% of any newly-issued shares must be offered first to the issuing company's employees except in certain limited circumstances. In addition, the ROC Securities and Exchange Law and the relevant securities regulations require that if a public company listed on the TWSE or whose shares are traded on the Taipei Exchange, formerly known as GreTai Securities Market, intends to offer new Shares for cash, at least 10% of the issue must be offered to the public, except under certain circumstances or when exempted by the FSC. This percentage can be increased by a resolution passed at a shareholders' meeting, which will reduce the number of new shares to which existing shareholders may have pre-emptive right. Unless the percentage of the shares offered to the public is increased by a resolution, our existing shareholders have a pre-emptive right to acquire the remaining 75% to 80% of the issue in proportion to their existing shareholdings. The shares not subscribed for by the employees or the shareholders at the expiration of the period for the exercise of their rights, may be freely offered by the Company (subject to ROC law) to the general public by means of a public offering or to specified persons at the direction of our board of directors.

## TRANSFER OF SHARES

Shares (in registered form) are transferred by endorsement and delivery of the related share certificates. However, settlement of trading of share of a listed company, such as our company, is generally carried out on the book-entry system maintained by the Taiwan Depository & Clearing Corporation, or TDCC. Transferees must have their names and addresses registered on our register of shareholders in order to assert shareholders' rights against us. Shareholders are required to register their respective specimen seals or chops with our share registrar.

## SHAREHOLDERS' MEETINGS

Our annual ordinary shareholders' meetings are usually held in Taipei City, Taiwan, or an alternative location within the ROC as determined by our board of directors, within six months following the end of our fiscal year. Notice in writing of our annual ordinary shareholders' meetings stating the place, time and agenda thereof must be dispatched to each shareholder at least 30 days prior to the date set for the meeting. Special meetings of our shareholders may be convened by resolution of our board of directors, or by our shareholders under certain circumstances. Special meetings of our shareholders may be convened on the written requisition of any shareholder or shareholders entitled to attend and vote at general meetings holding at least 3% of the total number of issued Shares for a period of one year or a longer time to the board of directors or the competent authority. Any one or more shareholder(s) may summon a special meeting of shareholders, provided that such shareholder(s) shall hold more than 50% of the total issued Shares for a continuous period of no less than three months. Special meetings of our shareholders may also be convened by any of our independent directors when the board of directors does not or cannot convene a shareholders' meeting and/or such a meeting is necessary for the benefit of the shareholders.

Notice in writing of such special meetings stating the place, time and agenda thereof must be dispatched to each shareholder at least 15 days prior to the date set for the meeting. Notice of the shareholders' meetings shall also be published on the MOPS in accordance with the Taiwan Stock Exchange Corporation Regulations Governing Information Reporting by Listed Companies.

## VOTING RIGHTS

Each Share is entitled to one vote. Except as otherwise provided by ROC law, a resolution may be adopted by the holders of a majority of our issued and outstanding Shares represented at a shareholders' meeting at which a majority of the holders of our issued and outstanding Shares are present. Notwithstanding the above, in order to approve certain major corporate actions, including (a) any amendment to our Articles of Incorporation (which is required in respect of, inter alia, any increase in authorized share capital and any changes in the rights of different classes of shares), (b) entering into, modification or termination of any contract regarding leasing all our business, outsourcing our operations or forming joint operations with others, (c) our dissolution, amalgamation or spin-off, the transfer of all or a material part of our business or our property, (d) the taking over of the whole of the business or property of any other entity which would have a significant impact on our operations, and (e) the distribution of any stock dividend, a resolution has to be approved by the holders of at least a majority of our Shares represented at a meeting of shareholders with a quorum of holders of at least two-thirds of the issued and outstanding Shares.

Our shareholders may be represented at an ordinary or a special shareholders' meeting by proxy if a valid proxy form is delivered to us at least five days before the date fixed for the ordinary or special shareholders' meeting. Voting rights attached to our Shares exercised by our shareholders' proxies are subject to the proxy regulations promulgated by the FSC.

Any shareholder who has a personal interest in a matter to be discussed at our shareholders' meeting, the outcome of which may impair our interests, shall not vote or exercise voting rights on behalf of another shareholder on such matter.

## REGISTRATION OF SHAREHOLDERS

Our register of shareholders is maintained by the database of the TDCC. For the purpose of determining certain rights, including right to dividends attached to the Shares, the ROC Company Law provides that the register of shareholders be closed for a period of 60 days, 30 days and five days immediately before the date of each ordinary shareholders' meeting, each special shareholders' meeting and the record date for dividend distribution, respectively.

## ANNUAL FINANCIAL STATEMENTS

Under the ROC Company Law, ten days before our ordinary shareholders' meeting, the statements and records of accounts prepared by the board of directors and the report made by the audit committee must be made available at our registered office in Taipei City for inspection by our shareholders. According to the regulations of the FSC, we are required to publish our annual and quarterly financial statements on a consolidated basis.

## DIVIDENDS AND DISTRIBUTIONS

Except under limited circumstances as permitted by the ROC Company Law, a ROC company is not permitted to distribute dividends or make any other distributions to shareholders for any year in which the company does not have current or retained earnings (excluding reserves). In addition, before distributing a dividend or making any other distribution to shareholders, a company must pay all outstanding taxes, cover any past losses, and set aside a reserve, referred to as the "**Legal Reserve**", at 10% of its earnings until such time as its accumulated Legal Reserve equals the amount of its total paid-up capital. In addition, a company may set aside a special reserve in accordance with its articles of incorporation or resolutions of the shareholders' meeting. Subject to compliance with these requirements, a company may pay dividends from its earnings or make other distributions from its reserves as set forth below.

In addition to permitting dividends to be paid out of current or retained earnings, the ROC Company Law also permits a company to make distributions to its shareholders in the form of additional shares of capital stock from recapitalization of reserves (including the Legal Reserve and the capital surplus of premium from issuing stocks and earnings from gifts received, referred to as the "**Capital Reserve**"). In the case of a company's Capital Reserve, subject to the ROC Securities and Exchange Law and applicable FSC regulations, 100% of the Capital Reserves may be recapitalized through stock distributions to shareholders. In the case of a company's Legal Reserve, however, the recapitalized portion payable out of such Legal Reserve can only be effected when the accumulated Legal Reserve exceeds 25% of the paid-in capital of the company.

Under the ROC Company Law, following approval at the shareholders' meeting, dividends are paid to shareholders from a company's current or retained earnings, Legal Reserves or Capital Reserve (subject to compliance with the above requirements), in proportion to the number of shares owned by each shareholder as listed on the register of shareholders as of the relevant record date. Dividends declared out of earnings may also be distributed either in cash or in the form of common stock or a combination thereof. Stock dividends are delivered to the persons whose names are recorded as shareholders in the register of shareholder at the relevant record date. Notices of such persons' entitlements to stock dividends are delivered by post notifying them of the place and date to collect the relevant share certificates or requesting them to designate an account under their names to which such stock dividends will be delivered. In respect of cash dividends, the company will notify the shareholders and make the payments in check or wire transfer to such accounts as may be designated by the shareholders.

Our Articles of Incorporation provide that, in principle, our net income, less prior years' losses, outstanding taxes, the legal reserve and any special reserve may be distributed as dividends to shareholders upon proposal of the board of directors and approval of shareholders at a shareholders' meeting. We may distribute dividends in way of cash or shares, provided that the cash dividends shall not be less than 10% of the total amount of dividends distributed to shareholders in that year. The ratio between cash dividend and stock dividend shall be proposed by our board of directors and then be approved by our shareholders at the shareholders' meeting. In addition, pursuant to our Articles of Incorporation, prior to distributing any dividends to our shareholders, we were required to first distribute (i) not less than 2% of the distributable earnings to employees as compensation and (ii) not more than 5% of the distributable earnings to directors as compensation. The employees' compensation may, subject to a resolution of the board of directors, be distributed to employees in way of cash or shares and the directors' compensation should be distributed in way of cash.

No dividend or distribution shall bear interest against the Company. Upon the date of declaration, we typically remit dividends into a special bank account, and the bank agency will transfer dividends to each shareholder's designated account. In limited cases, we also distribute dividends with non-negotiable notes by registered mails. If a shareholder fails to provide the correct bank account or address for the wire transfer or registered mail and thus is unable to receive dividends, such dividends will remain as a debt due to the shareholder. Any dividend which remains unclaimed after five years from the date of declaration shall be forfeited and returned to us.

For information on the dividends paid by us in recent years, see "Dividends and Dividend Policy". For information as to ROC taxes on dividends and distributions, see "Taxation—ROC Taxation."

**ACQUISITION OF OUR SHARES BY US**

With minor exceptions, we cannot acquire our own Shares under the ROC Company Law. However, under the ROC Securities and Exchange Law, we may by a board resolution adopted by majority consent at a meeting with two-thirds of our directors present, purchase up to 10% of our issued and outstanding Shares on the TWSE or by a tender offer, in accordance with the procedures prescribed by the FSC, for the following purposes:

(i) to transfer Shares to our employees;

(ii) to convert bonds with warrants, preferred shares with warrants, convertible bonds, convertible preferred shares or certificates of warrants issued by us into the Shares; and

(iii) if necessary, to maintain our credit and our shareholders' equity provided that the Shares so purchased shall be cancelled thereafter.

Share purchased by us pursuant to (i) and (ii) above shall be transferred to the intended transferees within five years after the purchase date; otherwise, such Shares shall be cancelled. Shares purchased by us pursuant to (iii) above must be canceled and we are required to complete an amendment registration for such cancelation within six months after the purchase date.

In addition, we may not spend more than the aggregate amount of the retained earnings, the premium from issuing Shares and the realized portion of the Capital Reserve to purchase our Shares.

We may not pledge or hypothecate any purchased Shares. In addition, we may not exercise any shareholders' rights attached to such Shares. In the event that we purchase our Shares on the TWSE, our affiliates, directors, managers, shareholder holding more than 10% of the Shares and their respective spouses and minor children and/or nominees are prohibited from selling any of our Shares during the period in which we purchase our Shares.

**SUBSTANTIAL SHAREHOLDERS AND TRANSFER RESTRICTIONS**

Under the ROC Securities and Exchange Act, our directors, managers and shareholders (together with their spouses, minor children and nominees) holding more than 10% of the Shares are required to report to us, on a monthly basis, any changes in their shareholding in the Company. Unless under limited circumstances, the number of Shares that they may sell or transfer on the TWSE on any trading day is limited by ROC laws. In addition, they may only sell or transfer such Shares on the TWSE at least three days after they have filed a notification with the FSC in connection with such sale or transfer, provided that such notification is not required if the number of Shares to be sold or transferred within one trading day does not exceed 10,000.

**LIQUIDATION RIGHTS**

Pursuant to the ROC Company Law, in the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and distributions to holders of preferred shares, if any, will be distributed pro rata to our shareholders.

## OTHER RIGHTS OF SHAREHOLDERS

Under the ROC Company Law and the ROC Business Mergers and Acquisitions Act, dissenting shareholders are entitled to appraisal rights in the event of a spin-off or a merger and various other major corporate actions. Dissenting shareholders may request us to redeem all their shares at a fair price to be determined by mutual agreement. If no agreement can be reached, the valuation will be determined by a court. Subject to applicable law, dissenting shareholders may, among other things, exercise their appraisal rights by notifying us before the related shareholders' meeting and/or by raising and registering their dissent at the shareholders' meeting.

The ROC Company Law allows shareholders holding 1% or more of the total issued shares of a company to submit, during the period of time prescribed by the company, one proposal in writing for discussion at the ordinary meeting of shareholders. The ROC Company Law also provides that a company may adopt a nomination procedure for election of directions. If a company wishes to adopt the nomination procedure, it must be stipulated in its articles of incorporation. With such provision in the articles of incorporation of a company, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list along with relevant information to the company within the period prescribed by the company. Our Articles of Incorporation currently offer such nomination procedure.

## DESCRIPTION OF THE BONDS

*The following is a description of the terms and conditions of the Bonds (except for the sentences in italics), which includes summaries of, and is subject to, the more detailed provisions of the Indenture referred to below.*

The issue of the US$200,000,000 aggregate principal amount of currency linked zero coupon convertible bonds due 2029 (the "**Bonds**", which shall include, unless the context requires otherwise, any further Bonds issued in accordance with the Indenture (as defined below) and consolidated and forming a single series therewith) of Bora Pharmaceuticals Co. Ltd. (the "**Company**" or the "**Issuer**") was authorized by a resolution of the board of directors of the Company adopted on May 27, 2024. The Bonds will be constituted by an indenture (the "**Indenture**") dated on or about September 5, 2024 (the "**Issue Date**") between the Company and The Bank of New York Mellon, London Branch, as trustee (the "**Trustee**", which term shall include all persons for the time being appointed as trustee or trustees under the Indenture) for the holders of the Bonds. The Company will also enter into a paying, conversion and transfer agency agreement (the "**Agency Agreement**") dated the Issue Date with the Trustee, The Bank of New York Mellon, London Branch as principal paying and conversion agent (the "**Principal Agent**"), The Bank of New York Mellon SA/NV, Dublin Branch, as the registrar (the "**Registrar**") and transfer agent (the "**Transfer Agent**") and any other paying agents, conversion agents and transfer agents appointed thereunder (each a "**Paying Agent**," "**Conversion Agent**" and "**Transfer Agent**" and together with the Principal Agent and the Registrar, the "**Agents**") in relation to the Bonds. The registrar, principal paying agent, conversion agent and transfer agent, paying agents, conversion agents and transfer agents for the time being are referred to below as the "**Registrar**", the "**Principal Agent**", the "**Paying Agents**" (which expression shall include the Principal Agent), the "**Conversion Agents**" (which expression shall include the Principal Agent) and the "**Transfer Agents**" (which expression shall include the Principal Agent and the Registrar), respectively. Approval-in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Copies of the Indenture and the Agency Agreement are available (i) for inspection during normal business hours (being 9:00 a.m. to 3:00 p.m. Mondays to Fridays excluding public holidays) at the principal office of the Trustee and (ii) electronically from the Principal Agent, in each case upon prior written request and proof of holding to the satisfaction of the Trustee. The holders of the Bonds are entitled to the benefit of the Indenture and are bound by, and are deemed to have notice of, all of the provisions of the Indenture and the Agency Agreement.

### 1. STATUS

The Bonds constitute direct, unconditional, unsubordinated and, subject to the negative pledge provisions of Condition 3, unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves and, subject to the negative pledge provisions of Condition 3, with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company, except as may be required by mandatory provisions of law. In addition, the common shares of the Company, par value NT$10 per share (the "**Shares**") issuable upon conversion of the Bonds will rank pari passu with all of our Shares outstanding as of the date of conversion of the Bonds.

### 2. FORM, DENOMINATION AND TITLE

#### (A) Form and Denomination

The Bonds will be issuable only in registered book-entry form and only in minimum denominations if US$200,000 and in integral multiples of US$100,000 in excess thereof. The Bonds shall initially be represented by the Global Bond and only under the limited circumstances described in Condition 18, the Global Bond and the Indenture shall definitive bond certificates (each a "**Certificated Bond**") be issued to the Bondholders to represent their individual holdings. Each Certificated Bond, if issued, will have an identifying number which will be recorded on the relevant Certificated Bond and in the register of Bondholders that the Company will cause to be kept by the Registrar.

### (B) Title

The Bonds will be registered instruments, title to which will pass only by registration in the register of the Bonds (the "**Bond Register**"). Except as ordered by a court of competent jurisdiction or as otherwise required by law, each Bondholder will be treated as the owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Bond) and neither the Company nor the Trustee nor the Agents nor any agent thereof shall be affected by notice to the contrary. In these Conditions, "**Bondholder**" and "**Holder**" in relation to a Bond means the person in whose name a Bond is registered on the Bond Register.

## 3. NEGATIVE PLEDGE

So long as any of the Bonds remain outstanding (as defined in the Indenture), neither the Company nor any of its Principal Subsidiaries shall create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its property, assets or revenues, present or future, to secure any International Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any International Investment Securities unless, at the same time or prior thereto, the Company's or the Principal Subsidiary's obligations under the Bonds and the Indenture (i) are secured equally and ratably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Indenture) of the Bondholders.

For the purposes of these Conditions:

"**Principal Subsidiary**" means any Subsidiary (as defined below) of the Company:

(i) whose gross revenues or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues as shown by its latest audited income statement exceed 5% of the consolidated gross revenues as shown by the then latest published audited consolidated income statement of the Company and its Subsidiaries;

(ii) whose gross assets or (in the case of a Subsidiary which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Company and its Subsidiaries) as shown by its latest audited balance sheet exceed 5% of the gross consolidated assets of the Company and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Company and its Subsidiaries; or

(iii) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (i) above.

References to the audited income statement and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated income statement and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such income statement or balance sheet is required by law to be produced or is not produced when the Subsidiary becomes a Principal Subsidiary, to a pro forma income statement or balance sheet, prepared by the Auditors (as defined in the Indenture) for the purpose of such determination.

"**International Investment Securities**" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures (debentures for this purpose shall exclude, for the avoidance of doubt, fixed or floating charges, loan agreements or other documents creating or evidencing indebtedness that are not commonly known as securities), loan stock or other similar securities that (i) either are, by their terms, payable, or confer a right to receive payments, in any currency other than NT Dollars or are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the authorization of the Company or any of its Principal Subsidiaries thereof and (ii) are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over the counter or other securities market but excluding any such indebtedness that has a stated maturity of not exceeding one year.

**"Subsidiary"** means any company or other business entity more than 50% of the issued share capital or other ownership interest of which is for the time being owned, directly or indirectly, by the Company.

## 4. TRANSFERS OF BONDS; ISSUE OF CERTIFICATED BOND

### (A) Transfer

A Bond may be transferred as follows: (i) in the case of a Bond represented by a Certificated Bond, by depositing such Certificated Bond during normal business hours at the specified offices of any Transfer Agent, with the form of transfer on the back of such Certificated Bond duly completed and signed, or (ii) in the case of a Bond represented by the Global Bond, by delivery at such specified office of the Registrar or any of the Transfer Agents a form of transfer duly completed and executed, and any other evidence that the Registrar or Transfer Agent may require. The Registrar and any Transfer Agent may decline to effect any exchange or transfer of a Bond (i) during the period of 15 days ending on (and including) the due date for any payment of the principal of and premium and other amounts of such Bond, (ii) after such Bond has been drawn for redemption under, and notice thereof is given pursuant to, Condition 8(D) or (iii) in respect of which a Conversion Notice (as defined in Condition 6(B)) has been delivered in accordance with Condition 6(B).

### (B) Delivery of New Certificated Bonds

Each new Certificated Bond to be issued on the transfer of a Bond will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificated Bond and the form of transfer, be mailed at the risk of the Bondholder entitled to the Bond to the address specified in the form of transfer. Where some but not all the Bonds in respect of which a Certificated Bond is issued are to be transferred, converted or redeemed, a new Certificated Bond in respect of the Bonds not so transferred, converted or redeemed will, within five business days of deposit or surrender of the original Certificated Bond with or to the Registrar or the relevant Transfer Agent, Conversion Agent or Paying Agent, be mailed at the risk of the Bondholder of the Bonds not so transferred, converted or redeemed to the address of such Bondholder appearing on the Bond Register.

For the purposes of this Condition 4, "**business day**" means a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar, the relevant Transfer Agent, Conversion Agent or Paying Agent with whom a Certificated Bond is deposited or surrendered in connection with a transfer, conversion or redemption is located.

### (C) Formalities Free of Charge

No service charge shall be made for any registration of transfer or exchange of Bonds, provided that the Company or any of the Transfer Agents may require payment of a sum sufficient to cover any tax or other governmental charges that may be imposed and such transfer shall not be made unless and until the required payment described herein is made.

### (D) Regulations

All transfers of Bonds and entries on the register of Bondholders will be made subject to the detailed regulations concerning transfer of Bonds attached as a schedule to the Agency Agreement. A copy of the current regulations will be made available (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder upon prior written request and proof of holding and identity satisfactory to the Registrar.

### (E) Change of Transfer Agent

The Company reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Transfer Agent and to appoint additional or other Transfer Agents, in each case in accordance with the Agency Agreement. The Company will, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, maintain a Transfer Agent having an office in Singapore. Notice of any such termination or appointment and of any changes in the specified offices of the Transfer Agents will be given promptly by the Company to the Trustee and the Bondholders in accordance with Condition 15.

## 5. INTEREST

The Bonds do not bear any interest.

## 6. CONVERSION

### (A) Conversion Right

### *(i) Conversion Period*

At any time during the Conversion Period referred to below on and subject to the terms set forth herein (the "**Conversion Right**") and the terms of the Agency Agreement, each Bondholder has the right hereunder to convert its Bonds into Shares.

Subject to and upon compliance with the provisions of this Condition 6, the Conversion Right attaching to any Bond may be exercised, at the option of the Bondholder and as and to the extent provided herein, at any time on or after December 5, 2024, which is the 91st calendar day after the Issue Date, up to and including the close of business (at the place where such Bond is deposited for conversion) on August 26, 2029, which is the 10th calendar day prior to the Maturity Date (or if such day shall not be a business day at such place, on the immediately preceding business day at such place, but in no event thereafter), or, if such Bond shall have been called for redemption prior to August 26, 2029, which is the 10th calendar day prior to the Maturity Date, then up to and including the close of business (at the place aforesaid) on the date five Trading Days prior to the date fixed for redemption thereof (or if such day shall not be a business day at such place, on the immediately preceding business day at such place) (the "**Conversion Period**"); *provided*, *however*, that the Conversion Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period.

"**Closed Periods**" or a "**Closed Period**" mean (i) the 60-day period prior to the date of any of the Company's annual general shareholders' meetings; (ii) the 30-day period prior to the date of any of the Company's special shareholders' meetings; (iii) the period beginning on the 15th Trading Day (as defined below) prior to the 5th day before the record date for the distribution of stock or cash dividends or subscription of new shares to the date ending on (and including) such record date; (iv) the period beginning on the record date of a capital reduction to one day prior to the Trading Day on which the shares of the Company are reissued after such capital reduction; (v) the period from the commencement of the suspension of the conversion in respect of the change of par value of the Common Shares to the day immediately preceding the date on which the reissued Common Shares resume trading after such change of par value of the Common Shares; and (vi) such other periods during which the Company may be required to close its stock transfer books or not to issue new shares under ROC laws and regulations applicable from time to time.

For the purposes of this Condition 6:

"**business day**" means a day other than Saturday or Sunday on which banks are open for business in New York, London, Hong Kong or the city in which (1) the specified office of the Registrar, if a Certificated Bond is deposited in connection with a transfer, is located, (2) the relevant Transfer Agent, Conversion Agent or Paying Agent, if a Certificated Bond is deposited, in connection with a transfer, or a notice of conversion is deposited in connection with a conversion, is located, or (3) the Company and the ROC share registry of the Company, if a notice of conversion is deposited in connection with a conversion or for the purpose of calculating the Closed Period, is located.

The Company shall procure that the Bondholders, the Trustee and the Agents are given at least seven days' prior notice of any Closed Period in accordance with Condition 15.

### *(ii) Number of Shares Delivered on Conversion*

The number of Shares to be delivered upon conversion of any Bond will be determined by the Company by dividing the NTD Equivalent (as defined in Condition 7(A)) of the principal amount of the Bonds by the Conversion Price (as defined below) then in effect on the Conversion Date (as defined in Condition 6(B)(ii)). If more than one Bond shall be deposited for conversion at any one time by the same holder of the Bonds, the number of Shares to be issued upon conversion thereof shall be calculated on the basis of the aggregate principal amount of the Bonds so deposited. On conversion, the right of the converting Bondholder to repayment of the principal and other amounts of the Bond to be converted shall be extinguished and released.

*(iii) Fractions of Shares*

Fractions of Shares will not be issued on conversion, and the Company will, upon conversion of the Bonds, pay cash in U.S. Dollars in a sum equal to such portion of the principal amount of the Bond or Bonds deposited for conversion as corresponds to any fraction of a Share not delivered as aforesaid, net of remittance and other processing fees, rounding to 1 U.S. Dollar with 0.5 being rounded upwards. For the purpose of calculating the amount of such payment, the Company shall use the Fixed Exchange Rate.

*(iv) Conversion Price*

The price used by the Company in determining the number of Shares to be issued upon conversion (the "**Conversion Price**") will initially be NT$964.60 per Share. The Conversion Price will be subject to adjustment in the manner provided in Condition 6(C).

*(v) Revival on Default*

Notwithstanding the provisions of Condition 6(A)(i), if the Company defaults in making payment in full in respect of any Bond that has been called for redemption prior to the Maturity Date on the date fixed for redemption thereof, the Conversion Right attaching to such Bond will continue to be exercisable up to, and including, the close of business (at the place where the Certificated Bond evidencing such Bond is deposited for conversion) on the date upon which the full amount of the monies payable in respect of such Bond has been duly received by the Trustee and the Principal Agent and notice of such receipt has been duly given to the Bondholders.

**(B) Conversion Procedure**

*(i) Conversion Notice*

To exercise the Conversion Right attaching to any Bond, a Bondholder must complete, execute and deposit at his own expense between 9:00 a.m. and 3:00 p.m. (local time at the specified office referred to below) on any business day during the Conversion Period at the specified office of any Conversion Agent outside the ROC at which the Bond is presented for conversion a notice of conversion (a "**Conversion Notice**") in duplicate, duly completed and signed, in the then current form obtainable from the specified office of any Conversion Agent, together with the relevant Bond and any certificates and other documents as may be required under the law of the ROC or the jurisdiction in which such Conversion Agent shall be located.

A Conversion Notice once deposited may not be withdrawn without the consent in writing of the Company. Bondholders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the business day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be deemed as the Conversion Date (as defined below) for such Bonds. A converting Bondholder shall retain the rights of a Bondholder with respect to the Bonds until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price then in effect on the Conversion Date.

No Shares or beneficial interests therein will be delivered to a converting Bondholder unless such Holder satisfies the foregoing conditions. If such Bondholder is unable or otherwise fails to satisfy the foregoing conditions, such Bondholder may transfer its Bond or beneficial interest therein subject to compliance with the transfer restrictions set forth in the Agency Agreement. See "Transfer Restrictions."

*(ii) Taxes and Expenses; Deposit Date and Conversion Date*

As conditions precedent to conversion, a Bondholder must pay directly to the relevant tax authorities all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the jurisdiction in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issuance of Shares or payment of any other property or cash upon conversion of the Bonds to, or to the order of a person other than, the converting Bondholder. Except as aforesaid, the Company will pay the expenses arising in the ROC on the issue of Shares on conversion of Bonds and all charges of the Conversion Agents in connection therewith as provided in the Agency Agreement. A Bondholder must declare in the relevant Conversion Notice that any taxes payable to the relevant tax authorities pursuant to this Condition 6(B)(ii) have been paid. Neither the Trustee nor any Agent is under any obligation to determine whether a Bondholder is liable to pay or has paid any taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(B)(ii).

The date on which any Bond and the Conversion Notice (in duplicate) relating thereto are deposited with a Conversion Agent and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the "**Deposit Date**." The "**Conversion Date**" applicable to a Bond means the day next following the Deposit Date, which day both is a Trading Day (as hereinafter defined in Condition 6(C)) and falls during the Conversion Period.

***(iii) Holders of Record***

With effect from the opening of business in the ROC on the Conversion Date, the Company will deem the person designated in the Conversion Notice to have become the holder of record of the number of Shares to be delivered upon such conversion (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective) and at such time, subject to Condition 6(B)(iv)—Delivery of Shares, the rights of such converting Bondholder as a Bondholder with respect to the Bonds deposited for conversion shall cease (except rights arising under Condition 6(B)(v)—Retroactive Adjustment of Conversion Price).

***(iv) Delivery of Shares***

On the Conversion Date, the Company shall register the converting Holder (or its designee) in the Company's register of shareholders as the owner of the number of Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to applicable laws and regulations), there be delivered to the local agent appointed by the converting Holder through book-entry system maintained by the Taiwan Depositary and Clearing Corporation for the relevant Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments or other documents (if any) as may be required by law to effect the delivery thereof.

***(v) Retroactive Adjustment of Conversion Price***

If (a) the Conversion Date in relation to any Bond shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to Condition 6(C) and the provisions of the Indenture; and (b) the relevant Conversion Date falls on a date when the relevant adjustment has not been reflected in the Conversion Price, the Company shall, within 20 days after the effective date of such adjustment of the Conversion Price, issue and deliver such number of Shares to the person designated in the Conversion Notice as is equal to the excess of the number of Shares that would have been required to be issued and delivered on conversion of such Bond if the relevant retroactive adjustment had been made as at the said Conversion Date over the number of Shares previously transferred pursuant to such conversion, and in such event and in respect of such number of Shares referenced in Condition 6(B)(iv) (Delivery of Shares) to the Conversion Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective (disregarding the fact that it becomes effective retroactively).

***(vi) Dividends and Other Entitlements***

Each Bondholder will not have any right to receive or be paid any dividends declared on the Shares unless such Bondholder has exercised the Conversion Right in accordance with the procedures set forth in Conditions 6(B)(i) (Conversion Notice) and 6(B)(ii) (Taxes and Expenses; Deposit Date and Conversion Date). A converting Bondholder's right to receive dividends declared on the Shares which are delivered to the person designated in the Conversion Notice upon conversion of a Bond or Bonds will begin on the Conversion Date. The Shares issued on conversion of the Bonds will in all respects rank *pari passu* with the Shares outstanding on the date on the relevant Conversion Date (except for any right or distribution the record date for which falls on or precedes such Conversion Date and except for any other right excluded by mandatory provisions of applicable law).

*(vii) Restrictions on Shareholding of PRC persons*

Under current ROC laws, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as a shareholder of the Issuer unless (i) it is a qualified domestic institutional investor approved by competent PRC authorities ("QDII") who will hold less than 10% of the Issuer's issued shares after conversion of the Bonds, or (ii) it otherwise obtains the approval of Department of Investment Review (formally named as Investment Commission) of the Ministry of Economic Affairs if all the business items are within the positive list promulgated by the ROC government from time to time and it will hold 10% or more (or other threshold required by the regulators) of the Issuer's issued shares after conversion of the Bonds. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Bondholder who is a PRC person to be unable to convert and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, "PRC person" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

*(viii) ROC Procedures for Foreign Nationals Holding the Shares*

Under the existing ROC law, a non-ROC converting Bondholder, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Bondholder is also required to appoint a local agent in Taiwan which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank account to remit funds, pay taxes, exercise shareholders' rights and perform such other functions as may be designated by such Holder. In addition, such non-ROC converting Bondholder must also appoint a custodian bank in Taiwan to hold the securities and any cash proceeds for safekeeping, to make confirmation and settlement of trades and to report all relevant information. Furthermore, such non-ROC converting Bondholder is required to appoint a tax guarantor, in Taiwan which meets the qualifications that are set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf. Without meeting such requirements, such non-ROC converting Bondholder would not be able to hold or sell or otherwise transfer the Shares into which the Bonds may be converted on the TWSE or otherwise.

**(C) Adjustments to Conversion Price**

*(i) Antidilution Adjustments*

The Conversion Price shall be subject to adjustment as follows:

*(a) Declaration of Dividend in Shares or Free Distribution or Bonus Issue of Shares*

(i) If the Company shall declare a dividend in Shares or make a free distribution or bonus issue of Shares which is treated as a capitalization issue for accounting purposes (including but not limited to capitalization of capital reserves but excluding the issuance of employee stock bonus), then the Conversion Price in effect on the date when such dividend and/or distribution is declared (or, if the Company has fixed a prior record date for the determination of shareholders entitled to receive such dividend and/or distribution, on such record date) shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [N / (N + n)]$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard in this case and in each subsection mentioned below to subsection (q) below) at the time of distribution of such dividend, free distribution and/or bonus issue.

n = the number of Shares to be distributed to the shareholders as a dividend, free distribution and/or bonus issue.

(ii) An adjustment made pursuant to this subsection (a) shall become effective on the record date for determination of shareholders entitled to receive such dividend and/or distribution; provided that in the case of a bonus issue of Shares or capitalization of reserves which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders of the Company before being legally paid or made, and which is so approved after the record date fixed for the determination of shareholders entitled to receive such dividend and/or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

*(b)* *Reduction of Share Capital*

(i) If the Company shall reduce its share capital other than by means of canceling any Shares held in treasury or repurchasing any Shares for the purpose of holding such Shares in treasury, the Conversion Price then in effect on the record date for the determination of the shareholders participating in such capital reduction shall be adjusted in accordance with the following formula:

$$NCP = OCP \text{ x } (N / n)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Shares outstanding immediately prior to such capital reduction.

n = the number of Shares outstanding immediately after such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection (b) will be required if the Company cancels any Shares held in treasury or repurchases any Shares for the purpose of holding such Shares in treasury.

(ii) If the Company shall reduce its share capital other than by means of canceling any Common Shares or repurchasing any Common Shares and for the purpose of holding such Common Shares in treasury and distributes cash in connection with such share capital reduction, the Conversion Price then in effect on the record date for the determination of the shareholders participating in such capital reduction shall be adjusted in accordance with the following formula:

$$NCP = (OCP - C) \text{ x } (N / n)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N and n have the meanings ascribed thereto in clause (a) of this subsection above.

C = the amount of cash distributed per Common Share.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Company cancels any Common Shares or repurchases any Common Shares for the purposes of holding such Common Shares in treasury.

(iii) Such adjustment shall become effective immediately on the record date for the determination of the shareholders participating in such capital reduction.

*(c) Sub-division, Combination, Paid-in Capital Reduction and Reclassification of Shares*

(i) If the Company shall (1) sub-divide its outstanding Shares, (2) combine its outstanding Shares into a smaller number of Shares, or (3) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond on the Conversion Date which occurs after the coming into effect of the adjustment described in this paragraph (i) shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Company has fixed a prior record date for the determination of shareholders entitled to receive any such securities issued upon any such sub-division, combination or re-classification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

(ii) An adjustment made pursuant to paragraph (i) above shall become effective immediately on the relevant event referred to above becoming effective or, if a record date is fixed therefor, immediately after such record date.

*(d) Concurrent Adjustment Events*

If the Company shall declare a dividend in, or make a free distribution or bonus issue of, Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

(i) the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (e), (f) or (g) below;

(ii) the day immediately before the date of issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to subsection (i) below;

(iii) the day immediately before the date of issue of any Shares which requires an adjustment of the Conversion Price pursuant to subsection (l) below;

(iv) the day immediately before the date of issue of any rights, options or warrants which requires an adjustment of the Conversion Price pursuant to subsection (m) below; or

(v) determined by the Company to be the relevant date for an event or circumstance which requires an adjustment to the Conversion Price pursuant to subsection (n) below,

then no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under subsection (a), but in lieu thereof an adjustment shall be made under subsection (e), (f), (g), (i), (l) or (m) below (as the case may require) by including in the denominator of the fraction described therein the aggregate number of Shares to be issued pursuant to such dividend, bonus issue or free distribution and, in the case of such dividend, including in the numerator of the fraction described therein the number of Shares which the aggregate par value of Shares to be so distributed would purchase at the Current Market Price per Share.

*(e)* *Rights Issues to Shareholders*

(i) If the Company shall grant, issue or offer to the holders of Shares rights entitling them to subscribe for or purchase Shares (a "**Rights Issue**", which expression shall exclude those Shares offered to employees as employee bonus shares) at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date and is less than the Current Market Price per Share with respect to the record date, then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares to be issued in connection with such Rights Issue at the said consideration.

v = the number of Shares which the aggregate consideration receivable by the Company would purchase at such Current Market Price per Share specified above.

After the record date, the consideration per Share shall not be changed in any event.

(ii) Subject as provided below, such adjustment shall become effective immediately after the date the consideration for such Shares are received in full but retroactively to immediately after the record date.

*(f)* *Warrants and Options Issued to Shareholders.*

(i) If the Company shall grant, issue or offer to the holders of Shares warrants or options entitling them to subscribe for or purchase Shares at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date and is less than the Current Market Price per Share with respect to the record date, then the Conversion Price in effect shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares initially to be issued upon exercise of such warrants or options at the said consideration where no applications by shareholders entitled to such warrants or options are required. Where applications by shareholders entitled to such warrants or options are required, n = the number of such Shares that equals (A) the number of warrants or options which underwriters have agreed to underwrite as referred to below or, as the case may be, (B) the number of warrants or options for which applications are received from shareholders as referred to below save to the extent already adjusted for under (A).

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share specified above.

(ii) Subject as provided below, such adjustment shall become effective (1) where no applications for such warrants or options are required from shareholders entitled to the same, upon their issue and (2) where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration, but in all cases retroactively to immediately after the record date.

(iii) If, in connection with a grant, issue or offer to the holders of Shares of warrants or options entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required, any warrants or options which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to the latest date for the submission of applications for such warrants or options, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date. If, in connection with a grant, issue or offer to the holders of Shares of warrants or options entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required, any warrants or options which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred the right to purchase such warrants) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

*(g) Issues of Rights or Warrants for Equity-Related Securities to Shareholders*

(i) If the Company shall grant, issue or offer to the holders of Shares options, rights or warrants entitling them to subscribe for or purchase any securities convertible into or exchangeable for Shares or which carry rights to subscribe for or purchase Shares at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date mentioned below and is less than the Current Market Price per Share with respect to the record date; then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares initially to be issued upon exercise of such rights or warrants and conversion or exchange of such convertible or exchangeable securities at the said consideration which, in the case of rights, equals (A) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities which the underwriters have agreed to underwrite as referred to below or, as the case may be, (B) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities for which applications are received from shareholders as referred to below save to the extent already adjusted for under (A), and which, in the case of warrants where no applications by shareholders entitled to such warrants are required, equals such number of Shares initially to be issued upon such exercise and conversion or exchange. Where applications by shareholders entitled to such warrants are required, n = the number of such Shares that equals (x) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, (y) the number of warrants for which applications are received from shareholders as referred to below save to the extent already adjusted for under (x).

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share specified.

(ii) Subject as provided below, such adjustment shall become effective (1) where no applications for such warrants are required from shareholders entitled to the same, upon their issue and (2) in the case of rights and where applications by shareholders entitled to the warrants are required as aforesaid, immediately after the latest date for the submission of applications or (if later) immediately after the Company fixes the said consideration, but in all cases retroactively to immediately after the record date.

(iii) If, in connection with a grant, issue or offer to the holders of Shares of rights or of warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares where applications by shareholders entitled to the same are required, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to the latest date for the submission of applications for such convertible or exchangeable securities or warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date. If, in connection with a grant, issue or offer to the holders of Shares of rights or of warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares where applications by shareholders entitled to the same are required, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred such rights or the right to purchase such warrants) who have submitted applications for such convertible or exchangeable securities or warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

*(h)* *Capital Distribution, Other Distributions to Shareholders*

(i) If the Company shall make any Capital Distribution or the distribution to the holders of Shares of evidences of indebtedness of the Company or of shares of capital stock of the Company (other than Shares) or of assets or of options, rights or warrants to subscribe for or purchase shares (other than Shares) or securities (other than those mentioned in (e), (f) or (g) above):

$$NCP = OCP \times [(CMP - fmv) / CMP]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

CMP = the Current Market Price.

fmv = the amount of such distribution or the fair market value (as determined by the Company or, if pursuant to applicable law of the ROC such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court) of the portion of the evidences of indebtedness, shares of capital stock, assets, rights or warrants so distributed applicable to one Share, less any consideration payable for the same by the relevant Shareholder. In making a determination of the fair market value of any such evidences of indebtedness, shares of capital stock, assets, rights or warrants, the Company shall consult a leading independent securities company or bank in Taipei selected by the Company and shall take fully into account the advice received from such company or bank.

(ii) Such adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive such Capital Distribution or distribution, provided that (1) in the case of such a Capital Distribution or distribution which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders of the Company before such Capital Distribution or distribution may legally be made and is so approved after the record date fixed for the determination of shareholders entitled to receive such Capital Distribution or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after the record date and (2) if the fair market value of the evidences of indebtedness, shares of capital stock, assets, rights or warrants so distributed cannot be determined until after the record date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after the record date.

(iii) Notwithstanding anything provided herein to the contrary, no adjustment to the Conversion Price shall be made if the Company reduces its share capital by purchasing and canceling its shares.

*(i) Issue of Convertible or Exchangeable Securities Generally*

(i) If the Company shall issue any securities convertible into or exchangeable for Shares (other than the Bonds, or in any of the circumstances described in subsection (g) above and subsection (m) below) and the consideration per Share receivable by the Company (determined as provided in subsection (p) below) either through a public offering or a private placement shall be less than the Current Market Price per Share on the date in the ROC on which the Company makes a public record following the pricing of such securities, then the Conversion Price in effect immediately prior to the date of issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula:

$$NCP = OCP \text{ x } [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares initially to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

(ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such convertible or exchangeable securities are issued.

*(j) Tender or Exchange Offers*

(i) In case a tender or exchange offer made by the Company or any Subsidiary of the Company for all or any portion of the Shares shall expire and such tender or exchange offer shall involve the payment by the Company or such Subsidiary of consideration per Share having a fair market value (as determined by an independent Investment Bank) at the last time (the "**Expiration Date**") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Current Market Price per Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \text{ x } [N \text{ x } M / (a + [(N - n) \text{ x } M])]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Shares outstanding (including any tendered or exchanged Shares) on the Expiration Date.

M = Current Market Price per Share as of the Expiration Date.

a = the fair market value of the aggregate consideration payable to the holders of Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Shares deemed so accepted up to any such maximum, being referred to as the "**Purchased Shares**").

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

(ii) If the Company is obligated to purchase Shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

*(k) Merger*

In case of a Merger of the Company (as defined in Condition 6(D)), each Bond then Outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger on the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Right to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in this Condition 6. Where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth herein.

*(l) Other Issues of Shares*

(i) If the Company shall issue any Shares (other than Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Company or upon exercise of any rights or warrants granted, offered or issued by the Company or in any of the circumstances described in subsection (a), (b), (c) or (d) above or the issuance of Shares or restricted share units pursuant to an employee bonus arrangement) for a consideration per Share receivable by the Company (determined as provided in subsection (p) below) either through a public offering or a private placement less than the Current Market Price per Share on the record date or on which the Company fixes the said consideration if no closed period is set forth for such issuance, then the Conversion Price in effect immediately prior to the issue of such additional Shares shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of additional Shares issued as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

It being understood that, for the avoidance of doubt, in the case of the issuance of Shares pursuant to an employee bonus arrangement, the aggregate consideration receivable by the Company shall be the product of the number of Shares issued pursuant thereto and the closing price of the Shares on the date immediately preceding the date of the meeting of the shareholders approving such issuance (after taking into account the effect of any dividend payment).

(ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such additional Shares are issued.

*(m)* *Issue of Equity Related Securities*

(i) If the Company shall grant, issue or offer options, rights or warrants to subscribe for or purchase Shares (other than in any of the circumstances described in subsections (e) and (f)) or securities convertible into or exchangeable for Shares and the consideration per Share receivable by the Company (determined as provided in subsection (p) below) shall be less than the Current Market Price per Share on the record date (or, if the offer, grant or issue of such rights, options or warrants is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the date of the offer, grant or issue of such options, rights or warrants shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares initially to be issued on exercise of such options, rights or warrants and (if applicable) conversion or exchange of such convertible or exchangeable securities.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

(ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such rights or warrants are issued.

*(n)* *Analogous Events*

If the Company determines that any other event or circumstance has occurred which has or would have an effect on the position of the Bondholders as a class compared with the position of the holders of all the securities (and options and rights relating thereto) of the Company, taken as a class which is analogous to any of the events referred to in subsections (a) through (m), then, in any such case, the Company shall notify the Trustee in writing thereof and the Company shall consult with an Independent Investment Bank as to what adjustment, if any, should be made to the Conversion Price to preserve the value of the Conversion Right of Bondholders and will make any such adjustment. Any such adjustment, where possible, shall be made using methodology similar in nature to one or more of the adjustments described above in this Condition 6(C), and may consist of a combination of such adjustments where appropriate.

*(o) Simultaneous Issues of Different Classes of Shares*

In the event of simultaneous issues of two or more classes of share capital comprising Shares or rights or warrants in respect of, or securities convertible into or exchangeable for, two or more classes of share capital comprising Shares, then, for the purposes of this Condition 6(C), the formula:

$$NCP = OCP \times [(N + v) / (N + n)]$$

shall be restated as

$$NCP = OCP \times [(N + v1 + v2 + v3) / (N + n1 + n2 + n3)]$$

where v1 and n1 shall have the same meanings as "v" and "n" but by reference to one class of Shares, v2 and n2 shall have the same meanings as "v" and "n" but by reference to a second class of Shares, v3 and n3 shall have the same meanings as "v" and "n" but by reference to a third class of Shares and so on.

*(p) Consideration Receivable by the Company*

For the purposes of any calculation of the consideration receivable by the Company pursuant to this Condition 6(C), the following provisions shall be applicable:

(i) in the case of the issue of Shares for cash, the consideration shall be the amount of such cash, provided that in no such case shall any deduction be made for any commissions or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(ii) in the case of the issue of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Company (and in making such determination the Company shall consult an Independent Investment Bank and shall take fully into account the advice received from such company or bank) or, if pursuant to applicable law of the ROC such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof;

(iii) in the case of the issue (whether initially or upon the exercise of rights or warrants) of securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for such securities and (if applicable) rights or warrants plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in paragraphs (i) and (ii) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price;

(iv) in the case of the issue of rights or warrants to subscribe for or purchase Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in paragraphs (i) and (ii) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price;

(v) if any of the consideration referred to in any of the preceding paragraphs of this subsection (p) is receivable in a currency other than New Taiwan Dollars, such consideration shall, in any case where there is a fixed rate of exchange between the New Taiwan Dollar and the relevant currency for the purposes of the issue of the Shares, the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into New Taiwan Dollars for the purposes of this subsection (p) at such fixed rate of exchange and shall, in all other cases, be translated into New Taiwan Dollars at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. Dollars if no direct rate is quoted) by a leading bank in the ROC for buying and selling spot units of the relevant currency by telegraphic transfer against New Taiwan Dollars on the date as of which the said consideration is required to be calculated as aforesaid; and

(vi) in the case of the issue of Shares credited as fully paid out of retained earnings or capitalization or reserves at their par value, the aggregate consideration receivable by the Company shall be deemed to be zero (and accordingly the number of Shares which such aggregate consideration receivable by the Company could purchase at the relevant Current Market Price per Share shall also be deemed to be zero).

*(q) Cumulative Adjustments*

If, at the time of computing an adjustment (the "**later adjustment**") of the Conversion Price pursuant to any of subsections above, the Conversion Price already incorporates an adjustment (the "**earlier adjustment**") made (or taken or to be taken into account pursuant to the proviso to subsection (r) below) to reflect an issue of Shares or of securities convertible into or exchangeable for Shares or of rights or warrants to subscribe for or purchase Shares or securities, to the extent that the number of such Shares or securities taken into account for the purposes of calculating the earlier adjustment exceeds the number of such Shares in issue at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such excess Shares shall be deemed to be outstanding for the purposes of making such computation.

*(r) Reference to "fix"*

Any reference herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

(ii) No adjustment will be made where such adjustment would be less than 1% of the Conversion Price then in effect; *provided, however*, that any adjustment that otherwise would be required to be made will be carried forward and taken into account (as if such adjustment had been made at the time when it would have been made but for the provisions of this subsection (ii) in determining any subsequent adjustment. All calculations relating to conversion, including adjustments of the Conversion Price, will be made to the lower 0.001 of a share of securities or other property or nearest NT$0.01, as the case may be. The Company will promptly notify the Bondholders, the Trustee and the Conversion Agent in writing of any adjustment in accordance with Condition 15. Any such notice relating to an adjustment in the Conversion Price should set forth the event giving rise to the adjustment, the Conversion Price prior to the adjustment, the effective date of such adjustment and the Conversion Price after the adjustment. Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by them to do so. All adjustments to the Conversion Price under Condition 6(C) shall be determined by the Company, and neither the Trustee nor the Agents shall be responsible for verifying such determinations.

For the purposes of the Conditions:

"**Capital Distribution**" means any cash dividend, distribution of cash or distribution of assets in specie made by the Company for any fiscal year unless it comprises a purchase or redemption of share capital of the Company;

"**Current Market Price**" on any date means (i) in the case of Shares, the average of the Market Prices of the Shares for the most recent 30 Trading Days, (ii) in the case of capital stock (other than Shares) which is listed on the relevant stock exchange, the average of the Market Prices of such capital stock (other than Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an Independent Investment Bank;

"**Market Price**" means for any Trading Day (a) with respect to the Shares, the closing sales price of the Shares on the TWSE on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by an Independent Investment Bank, and (b) with respect to capital stock of the Company (other than Shares), the closing bid price for such capital stock (other than Shares) on the relevant stock exchange; and

"**Trading Day**" means with respect to the Shares, a day when the TWSE is open for business; *provided, however,* if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Shares for one or more Trading Days (or furnished by an Independent Investment Bank), such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

**(D) Mergers; Disposals**

So long as the Bonds remain outstanding, the Company will not merge, amalgamate or consolidate with or into any other corporation or entity, (provided that the Company is not the surviving entity) or sell, convey, transfer, lease or otherwise dispose of all, or substantially all, of the assets of the Company (each event a "**Merger**"), whether as a single transaction or a number of transactions, related or not, to any corporation, entity or person or to one or more members of any group under the common control of any corporation, entity or person unless:

(i) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly assume, by an indenture supplemental hereto, all obligations of the Issuer under this Indenture and the performance of every covenant and agreement applicable to it contained herein;

(ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;

(iii) the Company at least 20 Business Days prior to the Merger has delivered to the Trustee an Officer's Certificate stating that such Merger complies with this Condition and that all conditions precedent herein provided for or relating to such Merger have been complied with;

(iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to:

(a) indemnify each holder of a Bond against any tax, assessment or governmental charge imposed on such holder solely as a consequence of such Merger with respect to the Bonds; and

(b) if organized under the laws of a jurisdiction other than the ROC, deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts of principal of and premium and other amounts on the Bonds received by the Holders of the Bonds, after any withholding or deduction of any tax, assessment or other governmental charge imposed by such jurisdiction or any taxing authority thereof or therein shall equal the respective amounts, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

(v) the Company shall as soon as practicable on or prior to the Merger, deliver an opinion satisfactory to the Trustee of counsel(s) of recognized standing as to the legality and validity of the Merger.

The Trustee shall not be responsible for verifying or confirming the information in any Officer's Certificate required pursuant to the above provisions.

Upon any Merger in accordance with Condition 6(D), the successor corporation formed by such Merger shall succeed to and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter, the predecessor corporation shall be relieved of all obligations and covenants under the Indenture and the Bonds.

**(E) Conversion Undertakings**

The Company undertakes that:

(i) it will use its best efforts to ensure that all Closed Periods during any 365-day period shall not be in the aggregate more than 120 calendar days, having taken into account the applicable ROC laws and regulations;

(ii) it will procure sufficient Shares for transfer and delivery to the person designated on the Conversion Notice upon conversion of the Bonds, by way of increasing the Company's paid-in share capital and, if necessary, its authorized capitalization for the issuance of new Shares, if approval of the ROC FSC is obtained and future changes to ROC laws and regulations permit the Company to issue new Shares for delivery upon conversion of the Bonds. The Company acknowledges that the undertaking above may involve amending the Company's Articles of Incorporation, which requires the approval of its board of directors and its shareholders; and

(iii) it will use its best efforts to obtain and maintain a listing on the TWSE for the Shares to be issued upon the conversion of the Bonds.

**7. PAYMENTS**

**(A) U.S. Dollar Settlement**

All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Indenture or the Agency Agreement from or against the Company shall be payable and settled in U.S. Dollars only.

For the purposes of the Conditions:

"**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which commercial banks are open for general business (including dealings in foreign exchange) in Taipei, New York, Hong Kong and London.

"**Fixed Exchange Rate**" means the fixed rate of US$1.00 = NT$31.9620.

"**Independent Investment Bank**" means (i) an independent investment bank of international repute or (ii) leading independent securities company or bank in the ROC (in each case of (i) and (ii), acting as an expert) selected by the Company and notified in writing to the Trustee.

"**NT Dollars**" or "**NT$**" means the lawful currency for the time being of the ROC.

"**NTD Equivalent**" means in respect of any U.S. Dollar-denominated amount in respect of the Bonds, or in respect of the Conversion Price then in effect, such U.S. Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate.

"**Prevailing Rate**," for each Rate Calculation Date, means a rate determined by the Principal Agent as follows:

(a) the fixing rate at 11:00 a.m., expressed as the number of NT Dollars per one U.S. Dollar, quoted by Taipei Forex Inc., which rate shall be provided by the Company to the Principal Agent;

(b) if no such rate is available under sub-paragraph (a), the prevailing rate determined by the Principal Agent on the basis of quotations provided by the Company that are obtained from Reference Dealers (as defined below) of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the provisions below; and

(c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the prevailing rate under sub-paragraph (b), the Taipei office of each of the Reference Dealers will provide to the Principal Agent a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for NTD and general activity in such market on the Rate Calculation Date. The quotations used to determine the Prevailing Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be provided at 3:30 p.m. (Taipei time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available. All quotations shall be provided by the Company to the Principal Agent in writing and the Principal Agent shall not be responsible for requesting or obtaining the quotations.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7, whether by the Reference Dealers (or any of them), the Company or the Independent Investment Bank, will (in the absence of fraud, willful misconduct or gross negligence) be binding on the Company, the Trustee, the Agents and all Bondholders.

"**Rate Calculation Date**" means the day which is the fifth Business Days before the due date of the relevant amount under the Conditions.

"**Reference Dealers**" means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Company.

"**Settlement Equivalent**" for the relevant Rate Calculation Date in respect of any U.S. Dollar-denominated amount payable in respect of the Bonds, means such U.S. Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate, and then converted back to U.S. Dollar amount using the applicable Prevailing Rate on such date.

"**U.S. Dollars**" or "**US$**" means the lawful currency for the time being of the United States of America.

**(B) Method of Payment**

Payment of principal of and premium and other amounts on the Bonds will be in U.S. Dollar and will be made (i) with respect to a Holder of a Bond, by wire transfer of immediately available funds to the registered account of the Holder of such Bond or (ii) in the case of a Holder of a Certificated Bond where the Registrar has advised that payments cannot be made via wire transfer, by U.S. Dollar check mailed to the registered address of the Bondholder. Payments of principal and premium and other amounts will only be made against surrender of the relevant Certificated Bond at the specified office of the Principal Agent or any of the other Paying Agents.

**(C) Fiscal Laws**

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

### (D) Business Days

If the due date for payment of any amount of principal or premium or any other amount in respect of any Bond (or any later date on which a Bond could otherwise be presented for payment) is not, in the relevant place of presentation, a business day, the Holder of the relevant Bond shall not be entitled to payment at such place of the amount due until the next following business day at such place and shall not be entitled to any interest or other payment in respect of such delay. In this Condition 7(D), "**business day**" means any day on which banks are open for business in the Taipei, London, Hong Kong and in the relevant place of presentation and, unless the following sentence applies, in the case of payment by transfer to a U.S. Dollar account as referred to above, on which dealings in foreign currency may be carried on both in New York, London, Hong Kong and in such place of presentation. If a Bond is presented for payment at a time when, as a result of differences in time zones, it is not practicable to transfer the relevant amount to an account as referred to above for value on the relevant date, the Company shall not be obliged to do so but shall be obliged to transfer the relevant amount to the account for value on the first practicable date thereafter.

### (E) Paying Agents

The names of the initial Principal Agent and the other initial Paying Agents and their specified offices are set out in the Agency Agreement. The Company reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, in each case in accordance with the Agency Agreement, provided that the Company will at all times maintain a Principal Agent, Conversion Agent and a Paying Agent having a specified office in London and, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, a specified office in Singapore. The Paying Agent may resign at any time by giving written notice to the Company and the Trustee not less than 60 days in advance. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent and the Paying Agents will be given promptly by the Company to the Bondholders in accordance with Condition 15.

### (F) Default Interest

If the Company fails to pay any sum in respect of the Bonds when due, default interest will accrue on the overdue sum at the rate of 4.75% per annum from the due date and ending on the date the Trustee determines to be the date on and after which the overdue payment is to be made to the Bondholders as stated in a notice given to the Bondholders in accordance with Condition 15 (both dates inclusive). The default interest will accrue on the basis of the actual number of days elapsed calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and the amount payable will be equal to the Settlement Equivalent of such default interest amount.

## 8. REDEMPTION, REPURCHASE AND CANCELLATION

### (A) Final Redemption

Unless previously redeemed, repurchased and canceled or converted as herein provided, the Company will redeem the Bonds at the Settlement Equivalent of 114.63% of their principal amount on September 5, 2029 (the "**Maturity Date**"). The Company may not redeem or repurchase the Bonds prior to that date except as provided in paragraph (B), (C), (E) or (F) below (but without prejudice to Condition 10).

### (B) Redemption at the Option of the Company

On or at any time after September 19, 2027 and on or prior to September 5, 2029, the Company may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice will be irrevocable and given in accordance with Condition 8(D) and Condition 15), redeem in whole or in part of the Bonds at the Settlement Equivalent of the Early Redemption Amount on the date of redemption if the Market Price for 20 out of 30 consecutive Trading Days, the last of which occurs not more than five days prior to the date of the redemption notice, shall have been at least 130% of the quotient of (i) the Conversion Price then in effect multiplied by Early Redemption Amount divided by (ii) US$100,000. If the Market Price cannot be determined for one or more consecutive Trading Days, such day or days will be disregarded in the relevant calculation and will be deemed not to have existed when ascertaining such period.

Notwithstanding the foregoing, the Company may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at the Settlement Equivalent of the Early Redemption Amount on the date of redemption date if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled, or converted; *provided* that the applicable date of redemption does not fall within a Closed Period.

"**Early Redemption Amount**" means, for each US$100,000 principal amount of Bonds, the amount calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards. Early Redemption Amount = Previous Redemption Amount x $(1 + r/2)^{d/p}$

Previous Redemption Amount = the Early Redemption Amount for each US$100,000 principal amount on the Semi-annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to March 5, 2025, US$200,000):

| Semi-annual Date | Early Redemption Amount |
|---|---|
| | (in U.S. Dollars) |
| March 5, 2025 | 101,375.00 |
| September 5, 2025 | 102,768.91 |
| March 5, 2026 | 104,181.98 |
| September 5, 2026 | 105,614.48 |
| March 5, 2027 | 107,066.68 |
| September 5, 2027 | 108,538.85 |
| March 5, 2028 | 110,031.26 |
| September 5, 2028 | 111,544.19 |
| March 5, 2029 | 113,077.92 |
| September 5, 2029 | 114,632.74 |

r = 2.75% expressed as a fraction

d = number of days from and including the immediately preceding Semi-annual Date (or if the Bonds are to be redeemed on or before March 5, 2025, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

p = 180

Upon the expiry of any such notice, the Company will be bound to redeem the Bonds to which such notice relates at the price aforesaid applicable at the date fixed for redemption.

For the avoidance of doubt, neither the Trustee nor the Agents shall be responsible for calculating or verifying the Early Redemption Amount.

"**Prevailing Rate**" means, for each relevant Trading Day, the fixing rate at 11:00 a.m. (Taipei time), expressed as the number of NT Dollars per one U.S. Dollar, as quoted by Taipei Forex Inc.

**(C) Redemption for Tax Reasons**

If, as a result of any change in, amendment or non-renewal of, or judicial decision relating to, the laws of the ROC or any political subdivision or taxing authority or legislative body thereof or therein, or any treaty to which the ROC is party, or any change in the official application or interpretation of any such laws or treaty, in any such case, occurring after the Issue Date, or as a result of any action taken or proposed by the ROC or any political subdivision or any taxing authority or legislative body thereof or therein, or brought in a court of competent jurisdiction in the ROC or any political subdivision thereof (each, a "**Change in Tax Law**"), whether or not such action was taken or brought with respect to the Company but which, in any such case, becomes effective or generally known after the Issue Date, on the occasion of the next payment due in respect of any Bond, the Company has or will become required to pay Additional Amounts as provided in Condition 9 and such obligation cannot be avoided by the Company taking reasonable measures available to it, the Company may at its option, having given not less than 30 nor more than 60 days' notice (in accordance with Conditions 8(C) and 15) to the Bondholders (which notice will be irrevocable) redeem, in whole but not in part, the Bonds on the expiry date of the notice of redemption (the "**Tax Call Date**") at the Settlement Equivalent of the Early Redemption Amount, provided that no notice of redemption shall be given earlier than 60 days before the earliest date on which the Company would be required to pay the Additional Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the Trustee a certificate in form and substance reasonably acceptable to the Trustee signed by two authorized officers of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing the conditions precedent to the right of the Company so to redeem have occurred, and an opinion addressed to the Trustee in form and substance reasonably acceptable to the Trustee by an independent law firm of recognized standing admitted to practice in the ROC to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such Change in Tax Law and the Trustee shall be entitled to accept and fully rely on such certificate (without verification by it) as sufficient evidence of the conditions precedent referred to in this Condition 8(C) in which event it shall be conclusive and binding on the Bondholders.

If the Company gives a notice of redemption of the Bonds under this Condition 8(C), each Bondholder shall have the right (the "**Non-Redemption Right**") to elect that all or a portion (being US$200,000 in principal amount or integral multiples of US$100,000 in excess thereof) of its Bonds not be redeemed by giving the notice to such effect to the Company (with a copy to the Trustee) no later than 15 days prior to the redemption date fixed by the Company. If a Bondholder exercises the Non-Redemption Right with respect to such Bonds, no Additional Amounts referred to in Condition 9 and that gave rise to the Company's redemption of the Bonds under this Condition 8(C) shall be payable on the payments due after the relevant date (as defined in Condition 9) in respect of such Bonds and such payments shall be made subject to the deduction or withholding required by the Change in Tax Law. For the avoidance of doubt, the Company shall continue to be responsible to such Bondholders for any Additional Amount that is payable in respect of the Bonds under Condition 9 as a result of the laws, treaties or regulations (or the interpretation or administration thereof) of a relevant taxing jurisdiction in effect on the Issue Date.

**(D) Redemption Procedures**

In the case of a redemption, the Company will furnish the Trustee with a notice of redemption in sufficient time to permit the Trustee, within not less than 30 days nor more than 60 days prior to any such Redemption Date, to mail to each Holder such notice of redemption, which notice will specify:

(i) the date of Redemption in connection with Condition 8(B) or the Tax Call Date (the "**Redemption Date**");

(ii) the price at which such Bonds will be redeemed and the method by which such amount will be paid;

(iii) that, in the case of Bondholders that hold Certificated Bonds, payment will be made upon presentation and surrender of the Certificated Bond(s) to be redeemed;

(iv) the names and addresses of all Paying Agents;

(v) the Conversion Right of the Bondholders and the then current Conversion Price;

(vi) the Market Price on the most recent practicable Trading Day for which such Market Price can be provided; and

(vii) that the right to convert such Bonds will expire seven days prior to the Redemption Date.

No notice of redemption given under the above Conditions 8(B) and 8(C) shall be effective if the Redemption Date specified therein is during a Closed Period or within 30 days following the last day of a Closed Period.

Upon the expiration of such notice, the Company will be bound to redeem the Bonds at the applicable redemption price on the Redemption Date, except as otherwise indicated in these Conditions or the Indenture.

Payment of the relevant redemption price for any Bond will be made on the Redemption Date, *provided, however*, that (i) if such Bond is a Certificated Bonds and has not been so delivered on or prior to the Redemption Date, payment will only be made at the time of delivery of such Certificated Bonds (together with the necessary endorsements), (ii) if the Redemption Date falls on a day other than a Business Day, payment shall be made on the next immediate Business Day and (iii) money sufficient for payment of the relevant redemption price has been deposited with the Paying Agents at least one Business Day prior to the Redemption Date. If the Company has made available to the Trustee and the Paying Agents, in accordance with the terms of the Indenture and the Agency Agreement, cash sufficient to pay the relevant redemption price of a Bond on the Redemption Date, then, immediately after such Redemption Date, whether or not such Bond is delivered to a Paying Agent, (i) such Bond will cease to be outstanding; (ii) the interest (if any) on such Bond will cease to accrue; (iii) such Bond will be deemed paid; and (iv) all other rights of the Holder will terminate (other than the right to receive the relevant redemption price).

**(E) Repurchase of the Bonds at the Option of the Bondholder**

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Bondholder shall have the right (the "**Holder's Put Right**"), at such Bondholder's option, to require the Company to repurchase in US dollars all (or any portion of the principal amount thereof which is US$200,000 or integral s of US$100,000 in excess thereof) of such Bondholder's Bonds, on September 5, 2027 (the "**Holder's Put Date**") at a redemption price equal to the Settlement Equivalent of 108.54% of the outstanding principal amount thereof (the "**Holder's Put Price**").

**(F) Repurchase of the Bonds in the Event of Delisting**

In the event that the Shares officially cease to be listed or admitted for trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the TWSE (a "**Delisting**"), each Bondholder shall have the right (the "**Delisting Put Right**"), at such Bondholder's option, to require the Company to repurchase, in whole or in part (being US$200,000 in principal amount or integral multiples of US$100,000 in excess thereof), such Bondholder's Bonds on the date set by the Company for such repurchase (the "**Delisting Put Date**"), which shall be not less than 30 days nor more than 60 days following the date on which the Trustee mails to each Bondholder a notice regarding the Delisting referred to under Condition 8(H) below, at the Settlement Equivalent of the Early Redemption Amount (the "**Delisting Put Price**").

**(G) Repurchase of the Bonds in the Event of a Change of Control**

If a Change of Control (as defined below) occurs, each Bondholder shall have the right (the "**Change of Control Put Right**"), at such Bondholder's option, to require the Company to repurchase, in whole or in part (being US$200,000 in principal amount or integral multiples of US$100,000 in excess thereof), such Bondholder's Bonds on the date set by the Company for such repurchase (the "**Change of Control Put Date**"), which shall not be less than 30 nor more than 60 days following the date on which the Company notifies the Trustee of the Change of Control, at the Settlement Equivalent of the Early Redemption Amount (the "**Change of Control Put Price**").

A "**Change of Control**" will be deemed to have occurred when (i) Control of the Company is acquired or deemed to be held by any Person or Persons acting together if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the Issue Date; (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person or Persons acquiring Control over the Company or the successor entity; or (iii) one or more other Persons acquires the legal or beneficial ownership of all or substantially all of the capital stock of the Company. Notwithstanding anything in the Indenture to the contrary, for the purposes of this definition, the term "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company's Board of Directors or any other governing board of the Company and does not include the Company's wholly-owned direct or indirect Subsidiaries.

"**Control**" means the right to appoint and/or remove all or the majority of the members of the Issuer's Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be liable to any person for any failure to do so. The Trustee and the Agents shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. Each of the Trustee and the Agents shall not be responsible for determining or verifying whether a Bond is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. Each of the Trustee and the Agents shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

**(H) Repurchase Procedures**

Not less than 30 nor more than 60 days prior to the Holder's Put Date and promptly after becoming aware of, and in any event within seven days of, a Delisting or a Change of Control, the Company will provide sufficient information promptly to the Trustee in sufficient time to permit the Trustee to mail to each Bondholder a notice regarding such Holder's Put Right, Delisting Put Right or Change of Control Put Right, as the case may be. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and Clearstream, notice to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence. Such notice shall state, as appropriate:

(i) The Holder's Put Date, the Delisting Put Date or the Change of Control Put Date, as the case may be (each, a "**Repurchase Date**");

(ii) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;

(iii) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;

(iv) the date by which the Repurchase Notice (as defined below) must be given;

(v) the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;

(vi) the names and addresses of all Paying Agents;

(vii) the Conversion Right of the Bondholders and the Conversion Price then in effect;

(viii) the Market Price on the most recent practicable Trading Day for which such Market Price can be provided;

(ix) the procedures that Bondholders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and Conversion Right, as the case may be; and

(x) that a Repurchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Company to purchase the Bonds, the Bondholder must deliver a written irrevocable notice of the exercise of such right (a "**Repurchase Notice**") together with the applicable Certificated Bonds (if applicable) to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than ten Business Days prior to the Repurchase Date.

Payment of the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or of the Change of Control Put Price upon exercise of the Change of Control Put Right, for any Bond for which a Repurchase Notice has been delivered is conditioned upon delivery of such Bond (including any Certificated Bonds, together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of such Repurchase Notice, and shall be made promptly following the later of the Repurchase Date and the time of delivery of such Bond. If the Paying Agent holds on the Repurchase Date money sufficient to pay the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be (such money shall be deposited with the Paying Agents at least one Business Day prior to the applicable Repurchase Date), of Bonds for which Repurchase Notices have been delivered in accordance with the provisions of the Indenture, then, whether or not such Bond is delivered to the Paying Agent, on and after such Repurchase Date, (i) such Bond will cease to be outstanding; (ii) the interest (if any) on such Bond will cease to accrue; (iii) such Bond will be deemed paid; and (iv) all other rights of the Bondholder shall terminate (other than the right to receive the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be).

**(I) Purchase and Cancellation**

The Company or any Subsidiary may at any time and from time to time purchase Bonds in the open market or otherwise at any price. Any Bonds so purchased by the Company or any Subsidiary will be surrendered to the Principal Agent for cancellation and will not be reissued.

## 9. TAXATION

Subject to Condition 8(C), all payments of principal and premium and other amounts on the Bonds and all issuance of Shares on conversion of the Bonds will be made after any deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of (i) the government of the ROC or any taxing authority thereof or therein, (ii) any jurisdiction in which the Company is, for tax purposes, incorporated, organized or resident or doing business or (iii) any jurisdiction from or through which payment is made or deemed made, unless such deduction or withholding is required by law or by regulation or governmental policy having the force of law. In the event that any such deduction or withholding from any such payment is so required, the Company will pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Bondholders of the amounts which would otherwise have been receivable in the absence of any such deduction or withholding, except that no Additional Amounts shall be payable in respect of any Bond:

(i) to a Bondholder or beneficial owner (or to a third party on behalf of a Bondholder or beneficial owner) where such Bondholder or beneficial owner is liable for such Taxes in respect of such Bond by reason of its being connected with the relevant taxing jurisdiction otherwise than merely by holding such Bond or by the receipt of principal or premium or any other amount in respect of any Bond or the enforcement of payment on such Bond;

(ii) to or on behalf of a Bondholder or beneficial owner to the extent that such Bondholder or beneficial owner would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other claims for exemption or deduction to the relevant tax authorities if such Bondholder or beneficial owner is eligible to make such declaration or claim and, after a written request from the Company, such Bondholder or beneficial owner fails to timely do so;

(iii) presented for payment more than 30 days after the relevant date except to the extent that the Bondholder or beneficial owner thereof would have been entitled to the Additional Amounts on presenting the same for payment on the last day of such 30-day period; or

(iv) to or on behalf of a Bondholder or beneficial owner if such Bondholder or beneficial owner would have been able to avoid the withholding or deduction by the presentation (where presentation is required) of the relevant Bond to, or otherwise accepting payment from, another paying agent in a member state of the European Union.

For this purpose the "**relevant date**" in relation to any Bond means (a) the due date for payment in respect thereof, or (b) if the full amount of the moneys payable on such due date has not been received by the Trustee and the Principal Agent on or prior to such due date, the date on which notice is duly given to the Bondholders that such moneys have been so received.

Additionally, the obligation to pay such Additional Amounts shall not apply with respect to (i) any estate, inheritance, gift, sales, transfer or personal property tax or any similar taxes, duties, assessments or other governmental charges of similar nature or (ii) any taxes, duties, assessments or other governmental charges that are payable otherwise than by deduction or withholding from payments on the Bonds or issuance of Shares on conversion of the Bonds.

References in these Conditions to principal, premium and/or any other amounts which may be payable pursuant hereto or pursuant to the Indenture shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Indenture.

The Company will provide to the Trustee and Agents a certified copy of an official receipt (or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee) evidencing the payment of any applicable Taxes deducted or withheld. Copies of those receipts or other documentation, as the case may be, will be made available to the Bondholders upon written request.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any) or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

The above obligations will survive termination, defeasance or discharge of the Indenture and will apply to any successor of the Company.

*Any premium paid on redemption of the bonds will be deemed interest income for the purpose of ROC taxation.*

**10. EVENTS OF DEFAULT**

**(A) Events of Default**

The Trustee at its discretion may, and if so requested in writing by the Bondholders of not less than 25% in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to being indemnified and/or secured and/or pre-funded by the Bondholders to its satisfaction), give notice to the Company that the Bonds are immediately due and repayable at an amount equal to the Settlement Equivalent of the principal amount of and premium (if any) on the Bonds as of the date of payment, if any of the following events shall have occurred and be continuing. An "**Event of Default**" occurs if:

(i) a default is made for more than three business days in the payment of principal or premium (if any) in respect of any of the Bonds when due;

(ii) a default is made by the Company in failing to give effect to a Conversion Right exercised by a Bondholder in accordance with the Indenture and such failure conditions continue for more than five business days;

(iii) a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the Indenture or in the Bonds on its part to be performed or observed (other than (i) the covenant to pay the principal amount or premium (if any) or any other amount, in respect of any of the Bonds and (ii) the covenant to give effect to a Conversion Right) and the default continues for the period of 30 days next following the service by the Trustee (acting on the instructions of the Holders of at least 25% in aggregate principal amount of the Bonds then outstanding) on the Company of written notice requiring such default to be remedied;

(iv) (a) any other present or future indebtedness of the Company or any Principal Subsidiary for or in respect of money borrowed or raised (other than the Bonds) becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of an event of default (however called) or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for, or (c) the Company or any Principal Subsidiary fails to pay when due any amounts payable by it under any present or future guarantee, indemnity or similar obligation for any monies borrowed or raised (other than the Bonds) if such failure shall continue for more than the period of grace, if any, originally applicable thereto, provided that the aggregate amount of the relevant indebtedness or amount payable in respect of each of the events mentioned above in this paragraph (iv) have occurred equals or exceeds US$15 million (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. Dollar as quoted by any leading bank selected by the Company on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

(v) a final judgment in an aggregate amount in excess of US$15 million is entered against the Company or any of its Principal Subsidiaries which results in a distress, attachment, execution or other legal process being levied, enforced or sued out on or against any part of the property, assets or revenues of the Company or any of its Principal Subsidiaries and is not discharged, bonded, satisfied, or stayed within 60 days;

(vi) a final judgment in an aggregate amount in excess of US$15 million is entered against the Company or any of its Principal Subsidiaries which results in any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of its Principal Subsidiaries becoming enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person);

(vii) a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganization or other similar law adjudging the Company or any of its Principal Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Company or any of its Principal Subsidiaries, or ordering the winding up or liquidation of the affairs of the Company or any of its Principal; or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Company or any of its Principal Subsidiaries; or an administrator or liquidator of the Company or any of its Principal Subsidiaries or the whole or any material part of the assets and turnover of the Company or any of its Principal Subsidiaries is appointed (or application for any such appointment is made);

(viii) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its Principal Subsidiaries (except for a members' voluntary solvent winding up of a Principal Subsidiary), or for the consent to the filing of a bankruptcy or insolvency proceeding against the Company or any of its Principal Subsidiaries; or if the Company or any of its Principal Subsidiaries passes an effective resolution for, or files a petition or answer or consent seeking reorganization under any applicable bankruptcy, insolvency, reorganization or other similar law of the Company or any of its Principal Subsidiaries, or consents to the filing of any such petition, or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or its Principal Subsidiaries or its respective property, or makes an assignment for the benefit of creditor;

(ix) any step is taken by any authorized person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or a material part of the assets of the Company or any of its Principal Subsidiaries (and if capable of being remedied, is not remedied within 60 days);

(x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Indenture, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Bonds and the Indenture admissible in evidence in the courts of the ROC is not taken, fulfilled or done (and if capable of being remedied, is not remedied within 60 days); and

(xi) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Bonds, the Indenture or the Agency Agreement (and if capable of being remedied, is not remedied within 60 days).

The Company will promptly notify the Trustee in writing of the occurrence of any Event of Default, specifying each such default and the nature and status thereof. The Trustee will not be deemed to have knowledge of the occurrence of any Event of Default. In addition, the Company will be required to furnish to the Trustee annually, and within 14 days at the request of the Trustee, a statement concerning the performance and observance of its obligations under the Bonds or the Indenture.

For the purposes of (iv) above, any indebtedness or obligation which is in a currency other than U.S. Dollars shall be translated into U.S. Dollars at the spot rate for the sale of U.S. Dollars against the purchase of the relevant currency quoted by any leading bank in the relevant market selected by the Company on any day when the Company requests such a quotation for such purposes.

If any event specified in this Condition 10(A) shall occur upon the date on which notice as first mentioned in this Condition is given by the Trustee to the Company (the "**Default Notice Date**"), the principal of, interest and premium (if any) and other amounts on Bonds will become immediately due and payable on the Default Notice Date.

In case of (i) above, the amount due should be the Settlement Equivalent of the principal of, and premium (if any) and other amounts on such Bonds as of the original due date and the default interest in accordance with Condition 7(F).

**(B) Other Provisions**

Subject to the provisions of the following five paragraphs, the Conversion Right attached to any Bonds shall survive the provision of the default notice and the acceleration of the payment of the Bonds pursuant to clause (ii) of this Condition 10.

Notwithstanding receipt of such payment, a Bondholder may exercise its Conversion Right by depositing a Conversion Notice with a Conversion Agent during the period from and including the Default Notice Date (as defined below) with respect to an event specified in this Condition 10 (at which time the Company will notify the Bondholders of the number of Shares per Bond to be delivered upon conversion, assuming all the then outstanding Bonds are converted) to and including the seventh business day thereafter.

If a converting Bondholder deposits a Conversion Notice pursuant to this Condition 10 on the business day prior to, or during, a Closed Period, the Bondholder's Conversion Right shall continue until the business day following the last day of the Closed Period which shall be deemed the Conversion Date, for the purposes of such Bondholder's exercise of its Conversion Right pursuant to this Condition 10.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10, the Company will issue Shares (which number will be disclosed to such Bondholders as soon as practicable after the Conversion Notice is given) in accordance with Condition 6(B)(iv), except that the Company shall have 12 business days before it is required to register the person designated in the Conversion Notice in the Company's register of shareholders as the owner of the number of Shares to be transferred pursuant to Condition 6(B)(iii).

For the purposes of this Condition 10, "**business day**" shall mean a day other than a Saturday or Sunday or public holidays on which banks are open for business in Taipei, New York, London and Hong Kong.

## 11. PRESCRIPTION

Claims against the Company for payment of principal and premium and other amounts in respect of the Bonds will become prescribed unless made within 10 years from the relevant date for payment in respect thereof.

## 12. ENFORCEMENT

At any time after the Bonds shall have become immediately due and repayable, the Trustee may, at its discretion, and without further notice, take such proceedings against the Company as it may think fit to enforce repayment of the Bonds together with premium, if any, with respect thereto and to enforce the provisions of the Indenture, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the Bondholders of not less than 25% in principal amount of the Bonds then outstanding or so directed by an Extraordinary Resolution and (b) it shall have indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so for 60 days and such failure shall be continuing.

## 13. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

### (A) Meetings; Modifications Requiring Extraordinary Resolution

The Indenture contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Indenture or the Agency Agreement. Such a meeting may be convened by the Company or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50% in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented.

Modifications and amendments of the Indenture or the Bonds may be made by the Company and the Trustee with the written consent of the Bondholders of not less than a majority in aggregate principal amount of the outstanding Bonds (and notice of such change shall be given to the Bondholders in accordance with Condition 15), unless the proposed modifications include, inter alia, (i) to modify the due date for any payment in respect of the Bonds, (ii) to change the Holder's Put Date, (iii) to reduce or cancel the principal amount or premium or any other amount payable in respect of the Bonds, or Settlement Equivalent payable in respect of the Bonds or changing the method of calculation of interest or Settlement Equivalent, (iv) to change the place or currency of payment of the Bonds, (v) to modify or cancel the Conversion Rights, or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66%, or at any adjourned such meeting not less than 33%, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Indenture provides that a written resolution signed by or on behalf of the Bondholders of not less than 90% of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

The Indenture defines "**Extraordinary Resolution**" to mean a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of the Indenture by a majority consisting of not less than three-quarters of the votes cast thereon.

### (B) Modifications without Consent

The Company, the Trustee and the Principal Agent may enter into one or more indenture or indentures supplemental to the Indenture or the Agency Agreement for any of the following purposes: (i) to evidence the succession of another corporation to the Company and the assumption by such successor of the covenants and obligations of the Company under the Indenture and in, or with respect to, the Bonds, in the event of any merger, consolidation or other action in accordance with Condition 6(D) and Article 6 of the Indenture; or (ii) to add to the covenants of the Company for the benefit of the Holders of Bonds; or (iii) to surrender any right or power conferred upon the Company; or (iv) to reduce the Conversion Price then in effect; or (v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein or which is otherwise defective, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the Indenture, provided, such action pursuant to this clause (v) shall not adversely affect the interest of the Bondholders; or (vi) to make any modification of the Bonds, the Indenture or the Agency Agreement of a formal, minor or technical nature or necessary in the opinion of the Trustee to correct a manifest error or, upon advice of counsel, to comply with mandatory provisions of ROC law, provided, such action pursuant to this clause (vi) shall not adversely affect the interest of the Bondholders. Any such modification, waiver or authorization will be binding on all of the Bondholders and upon all future Bondholders and, unless the Trustee agrees otherwise, any such modification will be notified to the Bondholders by the Company in accordance with Condition 15 as soon as practicable thereafter.

**(C) Exercise of Powers by Trustee**

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Indenture. The Trustee is entitled to obtain and rely on a legal opinion or officers' certificate regarding the compliance of this Condition 13(B).

## 14. REPLACEMENT OF CERTIFICATED BONDS

The Indenture includes provisions for the replacement of any mutilated, defaced, destroyed, stolen or lost Certificated Bonds at the specified office of the Registrar or at the specified office of any Paying Agent, including, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, the Singapore office of a Paying Agent, upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and the Registrar may require. Mutilated or defaced Certificated Bonds must be surrendered before replacements will be issued.

In the event any such mutilated, destroyed, lost or stolen Certificated Bond has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Certificated Bond, pay such Bond.

## 15. NOTICES

Notices to Bondholders shall be validly given if in writing in English and mailed to them at their respective addresses in the Bond Register. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear or Clearstream, or the Alternative Clearing System (as defined in Condition 18(F)), notices to holders of the Bonds will be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the foregoing sentence. Any such notice shall be deemed to have been given on the later of such delivery and the seventh day after being so mailed.

In addition, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, notice shall be published, at the Company's expense, either in a newspaper having general or wide circulation in Singapore or on the Internet site of the SGX-ST (www.sgx.com). Any such notice shall be deemed to have been given on the date of such publication.

The Company shall cause to be filed with the Trustee, and shall cause to be given to all Bondholders (A) at least seven days prior to the applicable record date (or date of submission to a meeting of the shareholders or directors of the Company for their approval, if such approval is required), if the Company shall (i) declare a dividend (or other distribution) on its Shares payable otherwise than in cash out of its retained earnings, or

(ii) authorize the grant to the holders of its Shares of options, rights or warrants to subscribe for or purchase any Shares in the authorized capital of any class or of any other rights, (B) at least 20 days prior to the applicable record date, upon (i) a reclassification of the Shares (other than a subdivision or combination of its outstanding Shares), or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any shareholders of the Company is required, or of any tender or exchange offer by the Company or any Subsidiary for all or any of the Shares, or of the conveyance, lease, sale or transfer of all or substantially all of the assets of the Company, or (ii) the voluntary or involuntary dissolution, liquidation or winding up of the Company, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Shares of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Shares of record shall be entitled to exchange their Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up, and (C) within five business days of the occurrence of an event after which the Company is obligated to provide notice pursuant to Condition 6(A).

For the purposes of this Condition, "**business day**" means a day other than a Saturday or Sunday on which banks are open for business in Taipei.

## 16. INDEMNIFICATION

The Indenture contains provisions for the indemnification of the Trustee, its officers, employees and agents and for its relief from responsibility, including provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Indenture, the Agency Agreement and/or these Conditions and in respect of the Bonds and to enforce repayment or taking other actions, steps and/or proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid or reimbursed for its fees, costs, expenses and indemnity payments and any liabilities incurred by it in priority to the claims of Bondholders.

## 17. GOVERNING LAW AND JURISDICTION

The Indenture, the Agency Agreement and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Agency Agreement and the Bonds, the Company has in the Indenture or the Agency Agreement, as the case may be, irrevocably submitted to the jurisdiction of the State of New York and United States Federal courts sitting in the Borough of Manhattan, the City of New York. The Company has appointed Law Debenture Corporate Services, as its agent for service of process.

## 18. THE GLOBAL BOND

The Global Bond contains provisions which apply to the Bonds in respect of which the Global Bond is issued, some of which modify the effect of the Conditions. The following is a summary of those provisions.

### (A) Meetings

The registered Holders of the Global Bond will have one vote in respect of each US$100,000 in principal amount of Bonds for which the Global Bond are issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Bond has been issued to attend and speak at a meeting of Bondholders on appropriate proof of its identity and interest.

### (B) Cancellation

Cancellation of any Bond following its redemption, repurchase, conversion or purchase by the Company will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

**(C) Trustee's Powers**

In considering the interests of Bondholders, while the Global Bond is registered in the name of a nominee for a clearing system, the Trustee may, without being obliged to do so, have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to Bonds and may consider such interests as if such accountholders were the Bondholders.

**(D) Conversion**

Subject to the requirements of Euroclear and Clearstream, the Conversion Right attaching to a Bond in respect of which the Global Bond is issued may be exercised by the presentation to or to the order of the Principal Conversion Agent or to any Conversion Agent of one or more Conversion Notices duly completed by or on behalf of a Holder of a book-entry interest in the Bond. Such Conversion Notice is obtainable at, or may be delivered by, the Principal Conversion Agent or any Conversion Agent. Deposit of the Global Bond with the Conversion Agent together with the relevant Conversion Notice shall not be required. The Principal Conversion Agent or such other Conversion Agent shall notify the Registrar and the Holder of the Global Bond of the exercise of the Conversion Right.

**(E) Payment**

Payments in respect of Bonds, including the principal amount and any premium or other amount, represented by the Global Bond will be made without presentation or, if no further payment is to be made in respect of the Bonds, against presentation and surrender of the Global Bond to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

**(F) Notices**

So long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear, Clearstream or any Alternative Clearing System as shall have been designated by the Trustee (the "**Alternative Clearing System**"), notices to Bondholders may be given by delivery of the relevant notice to Euroclear, Clearstream, or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions except that, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, notices shall also be published either in a newspaper having general or wide circulation in Singapore or on the Internet site of the SGX-ST (www.sgx.com).

**(G) Certificated Bonds**

Certificated Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Bond is issued, except where (i) the Common Depositary or any successor to the Common Depositary notifies us in writing that it is at any time unwilling or unable to continue as a depositary or if at any time it is no longer eligible to act as the Common Depositary for the Global Bond and a successor depositary is not appointed by us within 90 days, (ii) either Euroclear or Clearstream (or the Alternative Clearing System in which the Bonds evidenced by the Global Bond may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (iii) if any of the Bonds shall have become due and payable in accordance with Condition 10.

**(H) Transfers**

Transfers of interests in the Bonds will be effected through the records of Euroclear or Clearstream and their respective participants in accordance with the rules and procedures of Euroclear or Clearstream and their respective direct and indirect participants.

**(I) Enforcement**

For the purposes of enforcement of the provisions of the Indenture against the Trustee, the persons named in a certificate of the Holder of the Bonds in respect of which the Global Bond is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the Holder, as if they were themselves the Bondholders in such principal amounts.

***Trustee and Agents***

The Bank of New York Mellon, London Branch is the Trustee and Principal Agent, and The Bank of New York Mellon SA/NV, Dublin Branch is the Registrar and Transfer Agent. The Bank of New York Mellon, London Branch and The Bank of New York Mellon SA/NV, Dublin Branch, in each of its respective capacities, including without limitation as Trustee, Registrar, Transfer Agent and Principal Agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our affiliates or any other party contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

The Trustee will not be liable, except to the extent of its own gross negligence, bad faith or willful misconduct, for the performance of such duties as are specifically set forth in the Indenture and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Trustee will be under no obligation to exercise any of its discretions, rights or powers under the indenture at the request of any holder, unless such holder shall have offered to the Trustee security and/or indemnity and/or pre-funding satisfactory to it against any loss, liability, tax, cost or expense. The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may refrain from taking any action if it would render it liable to any person in any jurisdiction or if, in its opinion based upon legal advice, it would not have the power to take such action in that jurisdiction by virtue of any applicable law or if it is determined by any court or other competent authority in that jurisdiction that it does not have the power to take such action.

Whenever the Trustee is required or entitled by the terms of the Indenture, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution or clarification of any directions, and the Trustee shall be entitled to rely on any such directions or clarification and shall not be responsible or liable for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision or giving such direction as a result of seeking such direction or clarification of any directions from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

The Trustee and the Agents may rely conclusively without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, accountants, financial advisors, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer and the Bondholders.

The Trustee and the Agents shall be entitled to rely conclusively on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Indenture or passed as further provided in the Indenture. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default has occurred or to monitor compliance by the Issuer with the provisions of the Indenture, the Agency Agreement or these Conditions and shall not be liable to the Bondholders or any other person for not doing so.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and its respective Subsidiaries, and the Trustee shall not at any time have any responsibility or liability for the same and each Bondholder shall not rely on the Trustee in respect thereof.

Pursuant to the terms of the Indenture, we will reimburse the Trustee, Registrar and Principal Agent for all fees, costs, taxes and expenses. The Indenture contains limitations on the rights of the Trustee, should it become our creditor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee and its affiliates are entitled and permitted to engage in other transactions with the Issuer and/or any entity related (directly or indirectly) to the Issuer, including normal banking and trustee relationships, without accounting for any profit. With respect to notices to holders of a beneficial interest in the Global Bond, such notices would be deemed to have been provided to such holders if the notices are sent to the clearing systems for dispatching to the holder.

# TAXATION

Prospective purchasers of the Bonds should consult their tax advisors concerning the tax consequences of owning the Bonds or Common Shares and the laws of any other relevant taxing jurisdiction to which they are subject.

## ROC TAXATION

The following summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds or Shares by a non-resident individual or non-resident entity that holds such Bonds or Shares (each a "Non-ROC Holder"). A "non-resident individual" (a "Non-ROC Individual Holder") is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Bonds or Shares and a "non-resident entity" (a "Non-ROC Entity Holder") is a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the ROC and does not have a fixed place of business or business agent in the ROC.

### Conversion of Bonds

The conversion of Bonds into Shares will not be taxable to Non-ROC Holders under ROC income tax law, i.e., you will generally not recognize gain or loss on the conversion of your Bonds into the Shares except to the extent of cash received in lieu of a fractional Share. The amount of gain or loss you recognize on the receipt of cash in lieu of a fractional Share will be equal to the difference between the amount of cash you receive in respect of the fractional Share and the portion of your adjusted tax basis in the Bonds allocable to the fractional Share. The tax basis of the Shares received upon a conversion of a Bond will equal the adjusted tax basis of the Bond that was converted (excluding the portion of the tax basis allocable to any fractional Share).

In addition, securities transaction tax, gift tax and/or income tax may be imposed in relation to the converting holder's designation of other person to be the holder of Shares upon conversion of the Bonds.

### Dividends

Dividends (whether in cash or Shares) declared by the Company out of its retained earnings and distributed to a Non-ROC Holder in respect of the Shares are ROC sourced income and; therefore, subject to ROC withholding tax, currently at the rate of 21%, on the amount of the distribution (in the case of cash dividends) or on the par value of the Shares (in the case of stock dividends) unless a lower withholding rate is provided under an applicable tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident.

In accordance with the ROC Income Tax Act, a 5% retained earnings tax will be imposed on a company for its after-tax earnings generated after January 1, 1998, which are not distributed in the following year. The undistributed earnings tax was reduced to 5% on January 1, 2018. The undistributed earnings tax so paid will further reduce the retained earnings available for future distribution. Distributions of stock dividends declared by the Company out of its Capital Reserves are not subject to withholding tax, except under limited circumstances.

### Capital Gains

Sales of the Bonds by Non-ROC Holders are regarded as transactions relating to property located outside the ROC and thus any resultant gains are currently not subject to ROC income tax. Non-ROC Holders are exempt from income tax on capital gains from the sale or disposal of the Shares. Payments of principal on the Bonds made by the Company will not be subject to ROC withholding tax. Payments of premium (if any ever becomes payable on the Bonds) to a Non-ROC holder constitute interest income derived from the ROC and, therefore, are subject to ROC withholding tax at a rate of 15% at the time of payment unless a lower withholding rate is provided under a tax treaty between ROC and the jurisdiction where the Non-ROC holder is a resident. The Company has agreed to pay Additional Amounts in respect of the withholding tax on such payments. See "Description of the Bonds—9. Taxation."

### Securities Transaction Tax

Securities transaction tax will be withheld at the rate of 0.3% of the transaction price upon a sale of the Shares. Nevertheless, transfers of the Bonds by Non-ROC Holders are not subject to ROC securities transaction tax.

### Pre-emptive Rights

Distributions of statutory subscription rights for the Shares in compliance with the ROC Company Law are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Non-ROC Holders remain exempt, after January 1, 2013, from income tax on capital gains from such sale. Proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to income tax at the rate of 20% of the gains realized. Subject to compliance with ROC laws, the Company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuance of securities.

### Estate Tax and Gift Tax

Subject to allowable exclusions, deductions and exemptions, ROC estate tax is payable on any property located within the ROC of a deceased Non-ROC Individual Holder, and ROC gift tax is payable on any property located within the ROC donated by a Non-ROC Individual Holder. Estate tax and gift tax are currently imposed at the progressive rates of 10%, 15% and 20%. Under ROC estate and gift tax law, the Shares are deemed located within the ROC regardless of the location of the owner. Nevertheless, it is unclear whether a holder of the Bonds will be considered to own the Shares for this purpose.

### Tax Treaties

At present, the ROC has income tax treaties with Singapore, Indonesia, South Africa, Australia, New Zealand, Vietnam, Gambia, Eswatini, Malaysia, North Macedonia, the Netherlands, UK, Senegal, Sweden, Belgium, Denmark, Israel, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany, Thailand, Kiribati, Luxembourg, Austria, Italy, Japan, Canada, Czech Republic, Saudi Arabia and Poland, which limit the rate of withholding tax on dividends or interest paid by ROC companies to residents of these countries. Holders of the Bonds or Shares should consult their own tax advisors concerning their eligibility for benefits under an income tax treaty with respect to the Bonds or Shares.

## PLAN OF DISTRIBUTION

J.P. Morgan Securities plc is acting as the global coordinator and sole bookrunner of the Offering and the Initial Purchaser. Subject to the terms and conditions stated in the purchase agreement dated the date of the Offering Circular, the Initial Purchaser has agreed to purchase, and we have agreed to sell to the Initial Purchaser, the principal amount of Bonds set forth opposite the Initial Purchaser's name.

| **Initial Purchaser** | **Principal amount of Bonds** |
|---|---|
| J.P. Morgan Securities plc | 200,000,000 |
| Total | 200,000,000 |

The purchase agreement provides that the obligations of the Initial Purchaser to purchase the Bonds included in this offering are subject to approval of legal matters by counsel and to other conditions. The Initial Purchaser must purchase all the Bonds if it purchases any of the Bonds.

The Initial Purchaser has agreed to purchase the Bonds at the offering price set forth on the cover page of this Offering Circular, less an underwriting commission. We have been advised that the Initial Purchaser proposes to resell the Bonds at the offering price set forth on the cover page of this Offering Circular outside the ROC and the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Bonds are offered may be changed at any time without notice.

The Bonds and the issuance of the Common Shares have not been, and will not be, registered under the U.S. Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

We and certain of our directors and shareholders have agreed that, for a period of 90 days from the date of the Offering Circular, we and they will not, without the prior written consent of the Initial Purchaser, offer, sell, contract to sell or otherwise dispose of or hedge any of the Common Shares or any securities convertible into or exchangeable for the Common Shares. The Initial Purchaser in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

LYFE has subscribed for, and has been allocated by the Initial Purchaser, US$100 million in aggregate principal amount of the Bonds being offered in this offering at the same offering price and on the same terms as the other Bonds being offered. LYFE is neither making nor should be construed to make any representation regarding the legality or viability of an investment in the Bonds. Investors should not place any reliance on LYFE's participation in the offering as an anchor investor or LYFE's investment analysis about us and this offering, and each investor should make its own independent investment decision.

The Bonds will constitute new classes of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. However, neither we nor the Trustee, the Paying Agent, the Transfer Agent, the Conversion Agent or the Registrar can assure you that the prices at which the Bonds will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the Bonds will develop and continue after this Offering. The Initial Purchaser has advised us that it currently intends to make a market in the Bonds. However, it is not obligated to do so and any market-making activities with respect to the Bonds may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended. Accordingly, neither we nor the Trustee, the Paying Agent, the Transfer Agent, the Conversion Agent or the Registrar can assure you as to the liquidity of, or trading market for, the Bonds.

The Initial Purchaser has not performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchaser may, from time to time, engage in transactions with and perform services for us in the ordinary course of its business for which it may receive customary fees and reimbursement of expenses. In addition, the Initial Purchaser and its affiliates are currently not lenders, and managers for the lenders, under our credit facilities. Apart from providing the lending facilities in the future, the Initial Purchaser and its affiliates may also provide foreign exchange, cash management and trade-related services to us.

We have agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchaser may be required to make because of any of those liabilities.

## NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE CODE—IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including Private Banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OCs for this Offering and are subject to additional requirements under the Code.

Paragraph 21.3.3(c) of the Code requires that a CMI should take all reasonable steps to identify whether its investor clients may have any associations with the Issuer, a CMI or a company in the same group of companies as the CMI and provide sufficient information to the OC to enable it to assess whether orders placed by these investors may negatively impact the price discovery process.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, Private Banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Initial Purchaser accordingly.

CMIs are informed that the marketing and investor targeting strategy for this Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language (if applicable) set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, the Initial Purchaser in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Private Banks who disclose that they are placing their order other than on a "principal" basis (i.e. they are acting as an agent) should note that such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that if any of their group companies is a CMI of this Offering, placing an order on a "principal" basis may require the Initial Purchaser to apply the "proprietary orders" of the Code to such order and will require the Initial Purchaser to apply the "rebates" requirements of the Code (if applicable) to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for the Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the Offering. The Initial Purchaser may be asked to demonstrate compliance with its obligations under the Code, and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Initial Purchaser with such evidence within the timeline requested.

## NOTICE TO PROSPECTIVE INVESTORS IN THE ROC AND RESTRICTION ON RELATED PARTY SUBSCRIPTION UNDER ROC LAW

The Bonds may not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Under applicable ROC laws and regulations, we and the Initial Purchaser are prohibited from offering and selling the Bonds to the "related parties" as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers and further specified in Section 36 of the ROC Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms. Therefore, each subscriber or purchaser of the Bonds described in the Offering Circular will be deemed to have acknowledged and represented to us and the Initial Purchaser that he, she or it is not: (a) a person or a close member of that person's family is related to the Company if that person: (i) has control or joint control over the Company; (ii) has significant influence over the Company; or (iii) is a member of the key management personnel of the Company or of a parent of the Company; (b) an entity is related to the Company if any of the following conditions applies: (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment defined benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company. The Company shall fully disclose information on related party transactions in accordance with IAS 24 above. In considering whether a counterparty is a related party, attention shall also be directed to the substance of the relationship in addition to the legal form. Unless it can be established that no control, joint control, or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship, and relevant information shall be disclosed in the notes to the financial reports in accordance with IAS 24: (a) an affiliated enterprise within the meaning given in Chapter VI-I of the ROC Company Act, and any of its directors, supervisors, and managerial officers thereof; (b) a company or institution governed by the same general management office as the Company, and any of its directors, supervisors, and managerial officers; (c) a person holding the position of manager or higher in the general management office; and (d) a company or institution shown as an affiliated enterprise in the Company's publications or public announcements.

## NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

The Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering memorandum to any retail investor in the EEA. For the purposes of this provision, (a) the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

## NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

The Initial Purchaser has represented and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

The Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering memorandum to any retail investor in the UK. For the purposes of this provision: (a) the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

## NOTICE TO PROSPECTIVE INVESTORS IN FRANCE

Neither the Offering Circular nor any other offering material relating to the securities described in the Offering Circular has been submitted to the clearance procedures of the Autorite des Marches Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorite des Marches Financiers. The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

Neither the Offering Circular nor any other offering material relating to the securities has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France;
- used in connection with any offer for subscription or sale of the securities to the public in France;
- such offers, sales and distributions will be made in France only;
- to qualified investors (investisseurs qualifiés) and/or to a restricted circle of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monetaire et financier;

- to investment services providers authorized to engage in portfolio management on behalf of third parties; or

- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (Règlement Général) of the Autorite des Marches Financiers, does not constitute a public offer (appel public à l'épargne).

The securities may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

**NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES**

The Bonds and the Common Shares have not been and will not be registered under the U.S. Securities Act for offer or sale as part of their distribution and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except, in either case, pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the U.S. Securities Act. The Bonds are being offered and sold by the Initial Purchaser only outside the United States in reliance upon Regulation S under the Securities Act. The Initial Purchaser has agreed that it will not offer, sell or deliver any Bonds as part of its distribution at any time within the United States or to, or for the account or benefit of, U.S. persons except, in either case, in accordance with Regulation S.

**NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLE'S REPUBLIC OF CHINA**

The Offering Circular does not constitute a public offer of the Bonds, whether by sale or by subscription, in the People's Republic of China, or PRC. The Offering Circular is not being and will not be circulated or distributed in the PRC. The Bonds are not being offered or sold, and will not be offered or sold, directly or indirectly, to any person for re-offering or resale to any resident of the PRC. For the purposes of this paragraph, PRC does not include Hong Kong, Macau and Taiwan.

**NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG**

The securities may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

**NOTICE TO PROSPECTIVE INVESTORS IN JAPAN**

The securities offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948) (as amended) (the "**FIEA**"). Accordingly, the securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEA and otherwise in compliance with the FIEA and other applicable provisions of Japanese laws, regulations and governmental guidelines. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

## NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**") pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

Investors should note that there may be restrictions on the secondary sale of the Securities under Section 276 of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

## TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult with legal counsel prior to making any resale, pledge or transfer of the Bonds or the Common Shares.

This Offering is being made pursuant to Regulation S under the Securities Act. The Bonds and the Common Shares represented thereby have not been registered under the Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction and may only be offered, sold or delivered outside the United States (as defined in Regulation S under the Securities Act) to persons other than U.S. persons (as defined in Regulation S under the Securities Act) in offshore transactions in reliance on Regulation S, and in each case in accordance with any other applicable law.

Each owner of the Bonds, by its acceptance thereof will be deemed to have acknowledged, represented to and agreed as follows (terms used that are defined in Regulation S are used as so defined):

1. The Bonds and the Common Shares have not been, and are not expected to be, registered under the Securities Act or with any securities regulatory authority of any state of the United States.

2. Each owner purchasing as part of the distribution of the Bonds is a non-U.S. person purchasing the Bonds in an offshore transaction meeting the requirements of Regulation S.

3. Such owner will not offer, sell, pledge or otherwise transfer any interest in the Bonds and the Common Shares, except as permitted by the applicable legend set forth in paragraph (4) below.

4. The Bonds will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

   **THE BONDS IN RESPECT OF WHICH THIS CERTIFICATE IS ISSUED AND THE SHARES OF COMMON STOCK (THE "SHARES") OF BORA PHARMACEUTICALS CO., LTD. ISSUABLE UPON CONVERSION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND SUCH SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED, DELIVERED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.**

Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulation S is advised that approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST is a "designated offshore securities market" (within the meaning of Regulation S) and accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

## LEGAL MATTERS

Certain legal matters in connection with the offering of the Bonds will be passed upon for us by Baker & McKenzie as to ROC law. Certain legal matters in connection with the offering of the Bonds will be passed upon for the Initial Purchaser by Freshfields Bruckhaus Deringer LLP as to United States federal law and New York state law.

## INDEPENDENT ACCOUNTANTS

The audited consolidated financial statements of Bora Pharmaceuticals Co., Ltd. as of and for the years ended December 31, 2021, 2022 and 2023, prepared in accordance with T-IFRSs included in this Offering Circular, have been audited and the unaudited consolidated financial statements as of and for the six-month periods ended June 30, 2024 and 2023, prepared in accordance with T-IFRSs included in the Offering Circular, have been audited/reviewed by Ernst & Young, independent auditors, as stated in their report appearing herein.

The office of Ernst & Young is located at No. 189, Sec. 1, Yongfu Road, Tainan City, Taiwan.

## GENERAL INFORMATION

We began with the establishment of Bora Pharmaceuticals on June 12, 2007. From local footprints to international presence, Bora has grown throughout its history to gain many outstanding achievements and completed initial public offering at Taipei Exchange in 2017. It is now the largest CDMO service provider by revenue with research facilities in both Asia and North America, and it continuously pushes for innovation in CDMO and commercial sales of drug and health care products. As of July 1, 2024, according to our Articles of Incorporation, our authorized share capital is NT$2,000,000,000 and our paid-in share capital is NT$1,015,501,280, divided into 101,550,128 Shares, NT$10 par value. Our registered and principal executive office is located at 6F, No. 2 Alley 36, Lane 26, Ruiguang Road, Neihu District, Taipei City 114, Taiwan, and our telephone number at the above address is +886-2-2790-1555. We are registered with the Taiwan Ministry of Economic Affairs and our registration number is 28684877. Our Legal Entity Identifier Code is 254900MK7O5C2UX1SY03. Taishin Securities Co., Limited currently acts as our Common Share registrar and maintains our register of shareholders at its offices in Taipei, Taiwan, and enters transfers of Common Shares in such register upon presentation of, among other documents, certificates in respect of the transferred Common Shares. The registered office of our share registrar is B1., No. 96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.). The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (whom has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Offering and the issue of the Bonds were authorized and approved by the Board of Directors of the Company on May 27, 2024 and by the FSC on July 9, 2024.

There has been neither significant change in the financial or trading position since June 30, 2024 nor any material adverse change in the financial position or prospects since June 30, 2024 of the Company and its subsidiaries, the date of the latest financial statements contained herein.

The Indenture and the Purchase Agreement are governed by the laws of the State of New York.

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain information about the Bonds is set forth below:

| | ISIN number | Common Code number |
|---|---|---|
| Bonds | XS2862889529 | 286288952 |

Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. As long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Bond is exchanged for certificates in definitive form. In addition, in the event that the Global Bond is exchanged for certificates in definitive form, announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificates in definitive form, including details of the paying agent in Singapore.

Except as disclosed in this Offering Circular, neither the Company nor any members of the Company is, or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the preceding 12 months a significant effect on the financial position of the Company. See "Business—Legal Proceedings".

## INDEX TO FINANCIAL STATEMENTS

**BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**WITH INDEPENDENT AUDITORS' REVIEW REPORT**

**FOR THE SIX MONTHS ENDED**

**JUNE 30, 2024 AND 2023**

Address: 6F., No. 2, Aly. 36, Ln. 26, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)
Telephone：886-2-2790-1555

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

EY 安永
Building a better working world

安永聯合會計師事務所
70051 台南市永福路一段189號11樓
11F, No.189, Sec. 1, Yongfu Road
Tainan City, Taiwan, R.O.C

Tel: 886 6 292 5888
Fax: 886 6 200 6888
www.ey.com/taiwan

## Independent Auditors' Review Report

To the Board of Directors and Shareholders
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 June 30, 2024 and 2023, the related consolidated statements of comprehensive income for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a 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 June 30, 2024 and 2023, its consolidated financial performance for the three months ended June 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2024 and 2023 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.

Hu, Tzu Ren

Yao, Shih Chieh

Ernst & Young, Taiwan

August 13, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent auditors 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 | June 30, 2024 | | December 31, 2023 | | June 30, 2023 | |
|---|---|---|---|---|---|---|---|
| Current assets | | | | | | | |
| Cash and cash equivalents | IV&VI.1 | $5,509,578 | 13 | $3,053,294 | 12 | $4,204,772 | 20 |
| Financial assets measured at fair value through profit or loss, current | IV&VI.2 | 21,635 | - | - | - | - | - |
| Financial assets measured at amortized cost, current | IV&VI.4.24&VIII | 2,051,809 | 5 | 342,627 | 1 | 173,534 | 1 |
| Contract assets, current | IV&VI.23.24 | 168,893 | - | 15,111 | - | 29,516 | - |
| Notes receivable, net | IV&VI.5.24 | 32,443 | - | 54,323 | - | 25,877 | - |
| Accounts receivable, net | IV&VI.6.24 | 9,551,188 | 22 | 3,958,874 | 16 | 3,347,299 | 16 |
| Other receivables | | 916,660 | 2 | 82,614 | - | 85,823 | - |
| Inventories, net | IV&VI.7 | 4,983,929 | 12 | 2,156,134 | 9 | 1,981,404 | 10 |
| Prepayments | | 996,428 | 2 | 801,425 | 3 | 276,264 | 1 |
| Other current assets | | 128,049 | - | 138,626 | 1 | 131,887 | 1 |
| Total current assets | | 24,360,612 | 56 | 10,603,028 | 42 | 10,256,376 | 49 |
| | | | | | | | |
| Non-current assets | | | | | | | |
| Financial assets measured at fair value through profit or loss, non-current | IV&VI.2.16 | 91,249 | - | - | - | 1,421 | - |
| Financial assets measured at fair value through other comprehensive income, non-current | IV&VI.3 | 208,258 | - | 7,758 | - | - | - |
| Financial assets measured at amortized cost, non-current | IV&VI.4.24&VIII | 13,500 | - | 13,500 | - | 13,200 | - |
| Investments accounted for using equity method | IV&VI.8 | 1,077 | - | - | - | - | - |
| Property, plant and equipment | IV&VI.9&VIII | 10,260,095 | 24 | 6,649,994 | 27 | 6,662,415 | 32 |
| Right-of-use assets | IV&VI.25 | 843,407 | 2 | 842,586 | 3 | 620,765 | 3 |
| Investment properties, net | IV&VI.10&VIII | 16,714 | - | 17,018 | - | 17,322 | - |
| Intangible assets | IV&VI.11.12 | 5,854,940 | 14 | 5,595,670 | 22 | 2,150,521 | 11 |
| Deferred tax assets | IV&VI.29 | 1,095,120 | 3 | 1,044,615 | 5 | 898,554 | 4 |
| Other non-current assets | | 607,817 | 1 | 277,836 | 1 | 152,455 | 1 |
| Total non-current assets | | 18,992,177 | 44 | 14,448,977 | 58 | 10,516,653 | 51 |
| | | | | | | | |
| Total assets | | $43,352,789 | 100 | $25,052,005 | 100 | $20,773,029 | 100 |

(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 | June 30, 2024 | | December 31, 2023 | | June 30, 2023 | |
|---|---|---|---|---|---|---|---|
| Current liabilities | | | | | | | |
| Short-term loans | IV&VI.13 | $7,776,718 | 18 | $767,508 | 3 | $1,949,477 | 9 |
| Financial liabilities measured at fair value through profit or loss, current | IV&VI.14 | 324,792 | 1 | 1,584,841 | 6 | 1,003,300 | 5 |
| Contract liabilities, current | IV&VI.23 | 266,629 | 1 | 224,597 | 1 | 181,609 | 1 |
| Notes payable | | 15,891 | - | 18,845 | - | 1,917 | - |
| Accounts payable | | 766,223 | 2 | 361,605 | 1 | 408,087 | 2 |
| Other payables | VI.15.31 | 3,304,665 | 7 | 1,526,752 | 6 | 1,250,676 | 6 |
| Dividends payable | | 1,215,057 | 3 | - | - | 619,755 | 3 |
| Income tax payable | IV&VI.29 | 452,754 | 1 | 987,430 | 4 | 223,478 | 1 |
| Provisions, current | IV&VI.19 | 259,973 | 1 | 144,523 | 1 | 138,402 | 1 |
| Lease liabilities, current | IV&VI.25 | 109,070 | - | 106,039 | 1 | 81,032 | - |
| Current portion of long-term loans | VI.17 | 1,277,303 | 3 | 630,502 | 3 | 2,237,260 | 11 |
| Refund liabilities | IV&VI.23 | 4,585,789 | 10 | 1,866,901 | 7 | 1,754,055 | 9 |
| Other current liabilities | VI.20 | 47,671 | - | 9,518 | - | 7,946 | - |
| Total current liabilities | | 20,402,535 | 47 | 8,229,061 | 33 | 9,856,994 | 48 |
| Non-current liabilities | | | | | | | |
| Financial liabilities measured at fair value through profit or loss, non-current | IV&VI.14 | - | - | 359,604 | 1 | 282,828 | 1 |
| Bonds payable | IV&VI.16 | 1,555,114 | 4 | 1,538,361 | 6 | 112,280 | 1 |
| Long-term loans | VI.17 | 7,126,916 | 16 | 1,185,260 | 5 | 1,624,328 | 8 |
| Provisions, non-current | IV&VI.19 | 184,731 | - | 216,805 | 1 | 276,830 | 1 |
| Deferred tax liabilities | IV&VI.29 | 800,086 | 2 | 701,736 | 3 | 815,858 | 4 |
| Lease liabilities, non-current | IV&VI.25 | 765,309 | 2 | 763,333 | 3 | 557,069 | 3 |
| Other non-current liabilities | VI.20 | 134,204 | - | 292,034 | 1 | 292,557 | 1 |
| Total non-current liabilities | | 10,566,360 | 24 | 5,057,133 | 20 | 3,961,750 | 19 |
| Total liabilities | | 30,968,895 | 71 | 13,286,194 | 53 | 13,818,744 | 67 |
| Equity attributable to the parent company | VI.21 | | | | | | |
| Capital | | | | | | | |
| Common stock | | 1,015,501 | 2 | 1,014,128 | 4 | 774,348 | 3 |
| Advance receipts for ordinary share | | 92 | - | 853 | - | 2,550 | - |
| Stock dividends to be distributed | | - | - | - | - | 231,410 | 1 |
| Capital surplus | | 3,384,992 | 8 | 3,318,350 | 13 | 1,811,851 | 8 |
| Retained earnings | | | | | | | |
| Legal reserve | | 658,515 | 2 | 355,501 | 1 | 355,501 | 2 |
| Unappropriated earnings | | 4,743,256 | 11 | 4,373,116 | 18 | 3,076,380 | 15 |
| Subtotal | | 5,401,771 | 13 | 4,728,617 | 19 | 3,431,881 | 17 |
| Other equity | | 212,390 | 1 | 73,807 | - | 130,173 | 1 |
| Treasury stock | | (438,856) | (1) | (50,968) | - | (52,738) | - |
| Equity attributable to shareholders of the parent | | 9,575,890 | 22 | 9,084,787 | 36 | 6,329,475 | 30 |
| Non-controlling interests | VI.21 | 2,808,004 | 6 | 2,681,024 | 11 | 624,810 | 3 |
| Total equity | | 12,383,894 | 29 | 11,765,811 | 47 | 6,954,285 | 33 |
| Total liabilities and equity | | $43,352,789 | 100 | $25,052,005 | 100 | $20,773,029 | 100 |

(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 June 30, 2024 | | For the three months ended June 30, 2023 | | For the six months ended June 30, 2024 | | For the six months ended June 30, 2023 | |
|---|---|---|---|---|---|---|---|---|---|
| Operating revenue | IV&VI.23&VII | $5,027,311 | 100 | $3,138,565 | 100 | $7,884,804 | 100 | $7,919,097 | 100 |
| Operating costs | VI.7.9.11.18.25.26&VII | (3,076,142) | (61) | (1,414,067) | (45) | (4,427,645) | (56) | (4,268,867) | (54) |
| Gross profit | | 1,951,169 | 39 | 1,724,498 | 55 | 3,457,159 | 44 | 3,650,230 | 46 |
| Unrealized gross profit on sales | | (73) | - | - | - | (73) | - | - | - |
| Net gross profit | | 1,951,096 | 39 | 1,724,498 | 55 | 3,457,086 | 44 | 3,650,230 | 46 |
| Operating expenses | VI.9.10.11.18.22.24.25.26&VII | | | | | | | | |
| Sales and marketing expenses | | (288,989) | (6) | (94,291) | (3) | (489,497) | (6) | (195,717) | (2) |
| General and administrative expenses | | (723,552) | (14) | (212,832) | (7) | (1,043,464) | (13) | (434,274) | (5) |
| Research and development expenses | | (196,005) | (4) | (70,598) | (2) | (289,532) | (4) | (126,023) | (2) |
| Total operating expenses | | (1,208,546) | (24) | (377,721) | (12) | (1,822,493) | (23) | (756,014) | (9) |
| Operating income | | 742,550 | 15 | 1,346,777 | 43 | 1,634,593 | 21 | 2,894,216 | 37 |
| Non-operating income and expenses | VI.27 | | | | | | | | |
| Other revenue | | 32,394 | 1 | 30,395 | - | 39,547 | 1 | 53,600 | - |
| Other gains and (losses) | | 80,521 | 2 | (311,352) | (10) | 197,115 | 2 | (395,559) | (5) |
| Financial costs | | (142,194) | (3) | (46,783) | (1) | (174,444) | (2) | (90,784) | (1) |
| Share of (loss) of associates and joint ventures accounted for using the equity method | | (165) | - | - | - | (165) | - | - | - |
| Bargain purchase gain | | 798,705 | 16 | - | - | 798,705 | 10 | - | - |
| Total non-operating income and (expenses) | | 769,261 | 16 | (327,740) | (11) | 860,758 | 11 | (432,743) | (6) |
| Net income before income tax | | 1,511,811 | 31 | 1,019,037 | 32 | 2,495,351 | 32 | 2,461,473 | 31 |
| Income tax expense | IV&VI.29 | (298,188) | (6) | (318,208) | (10) | (538,067) | (7) | (717,377) | (9) |
| Net income | | 1,213,623 | 25 | 700,829 | 22 | 1,957,284 | 25 | 1,744,096 | 22 |
| Other comprehensive income | IV&VI.28.29 | | | | | | | | |
| 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) | - |
| Unrealized gains or (losses) from equity instruments investments measured at fair value through other comprehensive income | | 18,958 | - | - | - | 18,958 | - | - | - |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or (loss) | | (3,792) | - | - | - | (3,792) | - | 3,067 | - |
| To be reclassified to profit or loss in subsequent periods | | | | | | | | | |
| Exchange differences resulting from translation foreign operations | | 74,188 | 1 | 149,567 | 5 | 154,313 | 2 | 124,480 | 2 |
| Income tax related to items to be reclassified subsequently to profit or (loss) | | (14,844) | - | (29,914) | (1) | (30,847) | - | (24,896) | (1) |
| Total other comprehensive income, net of tax | | 74,510 | 1 | 119,653 | 4 | 138,632 | 2 | 91,080 | 1 |
| Total comprehensive income | | $1,288,133 | 26 | $820,482 | 26 | $2,095,916 | 27 | $1,835,176 | 23 |
| Net income attributable to: | | | | | | | | | |
| Stockholders of the parent | | $1,171,815 | | $692,027 | | $1,887,952 | | $1,731,367 | |
| Non-controlling interests | | $41,808 | | $8,802 | | $69,332 | | $12,729 | |
| Comprehensive income attributable to: | | | | | | | | | |
| Stockholders of the parent | | $1,246,346 | | $811,680 | | $2,026,535 | | $1,822,447 | |
| Non-controlling interests | | $41,787 | | $8,802 | | $69,381 | | $12,729 | |
| Earnings per share (NTD) | IV&VI.30 | | | | | | | | |
| Earnings per share-basic | | $11.61 | | $6.89 | | $18.68 | | $17.35 | |
| Earnings per share-diluted | | $11.26 | | $6.81 | | $18.12 | | $17.02 | |

(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 | | | | Retained earnings | | | Other equity | | | | | | |
| | Common stock | Advance receipts for ordinary share | Stock dividends to be distributed | Capital surplus | 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 | Treasury stock | Total | | |
| Balance as of January 1, 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 earning | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 139,065 | - | (139,065) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | (617,095) | - | - | - | - | (617,095) | - | (617,095) |
| Stock dividends | - | - | 231,410 | - | - | - | (231,410) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | (23,919) | 23,919 | - | - | - | - | - | - | - |
| Net income for the six months ended June 30, 2023 | - | - | - | - | - | - | 1,731,367 | - | - | - | - | 1,731,367 | 12,729 | 1,744,096 |
| Other comprehensive income for the six months ended June 30, 2023 | - | - | - | - | - | - | - | 99,584 | - | (8,504) | - | 91,080 | - | 91,080 |
| Total comprehensive income | - | - | - | - | - | - | 1,731,367 | 99,584 | - | (8,504) | - | 1,822,447 | 12,729 | 1,835,176 |
| Conversion of convertible bonds | 20,133 | (617) | - | 533,336 | - | - | - | - | - | - | - | 552,852 | - | 552,852 |
| Share-based payment transactions-exercise of stock option | 400 | 60 | - | 5,994 | - | - | - | - | - | - | - | 6,454 | - | 6,454 |
| Share-based payment transactions-stock based compensation | - | - | - | 36,141 | - | - | - | - | - | - | - | 36,141 | 2,607 | 38,748 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | (2,660) | (2,660) |
| Other-treasury shares sold to employees | - | - | - | - | - | - | - | - | - | - | 354 | 354 | - | 354 |
| Balance as of June 30, 2023 | $774,348 | $2,550 | $231,410 | $1,811,851 | $355,501 | $- | $3,076,380 | $135,073 | $(4,900) | $- | $(52,738) | $6,329,475 | $624,810 | $6,954,285 |
| Balance as of January 1, 2024 | $1,014,128 | $853 | $- | $3,318,350 | $355,501 | $- | $4,373,116 | $76,395 | $(4,900) | $2,312 | $(50,968) | $9,084,787 | $2,681,024 | $11,765,811 |
| Appropriation and distribution of 2023 retained earnings | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 303,014 | - | (303,014) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | (1,214,798) | - | - | - | - | (1,214,798) | - | (1,214,798) |
| Net income for the six months ended June 30, 2024 | - | - | - | - | - | - | 1,887,952 | - | - | - | - | 1,887,952 | 69,332 | 1,957,284 |
| Other comprehensive income for the six months ended June 30, 2024 | - | - | - | - | - | - | - | 123,417 | 15,166 | - | - | 138,583 | 49 | 138,632 |
| Total comprehensive income | - | - | - | - | - | - | 1,887,952 | 123,417 | 15,166 | - | - | 2,026,535 | 69,381 | 2,095,916 |
| Conversion of convertible bonds | 3 | (1) | - | 24 | - | - | - | - | - | - | - | 26 | - | 26 |
| Treasury stock purchases | - | - | - | - | - | - | - | - | - | - | (389,127) | (389,127) | - | (389,127) |
| Adjustment to share of changes in equities of subsidiaries | - | - | - | (5,408) | - | - | - | - | - | - | - | (5,408) | 88,344 | 82,936 |
| Share-based payment transactions-exercise of stock option | 1,370 | (760) | - | 6,009 | - | - | - | - | - | - | - | 6,619 | - | 6,619 |
| Share-based payment transactions-stock based compensation | - | - | - | 62,608 | - | - | - | - | - | - | - | 62,608 | 7,646 | 70,254 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | (38,391) | (38,391) |
| Other-treasury shares sold to employees | - | - | - | 3,409 | - | - | - | - | - | - | 1,239 | 4,648 | - | 4,648 |
| Balance as of June 30, 2024 | $1,015,501 | $92 | $- | 3,384,992 | $658,515 | $- | $4,743,256 | $199,812 | $10,266 | $2,312 | ($438,856) | $9,575,890 | $2,808,404 | $12,383,894 |

(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 six months ended June 30, 2024 | For the six months ended June 30, 2023 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income before income tax | $2,495,351 | $2,461,473 |
| Adjustments for: | | |
| Income and expense adjustments: | | |
| Depreciation | 278,034 | 204,127 |
| Amortization | 164,937 | 67,307 |
| Net (gain) or loss on financial assets or liabilities measured at fair value through profit or loss | (13,882) | 422,654 |
| Interest expense | 174,444 | 90,784 |
| Interest income | (27,801) | (31,312) |
| Share-based payment expenses | 70,254 | 38,748 |
| Share of loss of associates and joint ventures accounted for using the equity method | 165 | - |
| Loss on disposal of property, plant and equipment | 104 | 607 |
| Unrealized gross loss on sales | 73 | - |
| Bargain purchase gain | (798,705) | - |
| Other | 11,388 | 3,468 |
| Total income and expense adjustments: | (140,989) | 796,383 |
| Changes in operating assets and liabilities: | | |
| Contract assets | 158 | 5,681 |
| Notes receivable, net | 21,880 | 11,023 |
| Accounts receivable, net | (1,481,384) | 2,700,751 |
| Other receivables | 58,013 | 4,773 |
| Inventories, net | (268,692) | (34,586) |
| Prepayments | 126,577 | 67,654 |
| Other current assets | 10,577 | (64,791) |
| Contract liabilities | 42,032 | 91,733 |
| Notes payable | (2,954) | (939) |
| Accounts payable | (537,530) | (43,795) |
| Other payables | (552,216) | (2,367,541) |
| Refund liabilities | 703,032 | (269,510) |
| Provisions | (83,595) | (58,684) |
| Other current liabilities | (141,787) | 29 |
| Other operating liabilities | (35,072) | - |
| Cash generated from operations | 213,401 | 3,299,654 |
| Interest received | 27,801 | 31,312 |
| Income tax paid | (1,099,831) | (586,961) |
| Net cash (used in) generated by operating activities | (858,629) | 2,744,005 |

| Items | For the six months ended June 30, 2024 | For the six months ended June 30, 2023 |
|---|---|---|
| Cash flows from investing activities: | | |
| Acquisition of financial assets measured at fair value through other comprehensive income | (20,000) | - |
| Acquisition of financial assets measured at amortized cost | (1,988,258) | - |
| Disposal of financial assets measured at amortized cost | 280,515 | 122,910 |
| Acquisition of financial assets measured at at fair value through profit or loss | (39,254) | - |
| Disposal of financial assets measured at at fair value through profit or loss | 233,688 | - |
| Acquisition of investments accounted for using equity method | (1,392) | - |
| Acquisition of subsidiary (net of cash acquired) | (7,761,350) | (1,226,774) |
| Acquisition of property, plant and equipment | (132,093) | (118,341) |
| Disposal of property, plant and equipment | 66 | 4,525 |
| Increase in refundable deposits | (122,352) | - |
| Decrease in refundable deposits | - | 5,923 |
| Acquisition of intangible assets | (140,398) | (61,460) |
| Other non-current assets | (142,259) | (1,546) |
| Increase in prepayment for equipments | (62,684) | - |
| Decrease in prepayment for equipments | - | 4,213 |
| Net cash (used in) investing activities | (9,895,771) | (1,270,550) |
| Cash flows from financing activities: | | |
| Increase in short-term loans | 6,925,795 | - |
| Decrease in short-term loans | - | (211,666) |
| Proceeds from long-term loans | 7,195,061 | - |
| Repayment of long-term loans | (647,321) | (270,136) |
| Repayment of the principal of lease liabilities | (49,214) | (35,187) |
| Decrease in other non-current liabilities | (61,615) | (866) |
| Employee stock options exercised | 6,619 | 6,454 |
| Treasury stock purchases | (389,127) | - |
| Treasury shares sold to employees | 4,648 | 354 |
| Interest paid | (117,881) | (88,654) |
| Net change of non-controlling interests | 44,853 | - |
| Net cash generated by (used in) financing activities | 12,911,818 | (599,701) |
| Effect of exchange rate changes on cash and cash equivalents | 298,866 | 49,699 |
| Net increase in cash and cash equivalents | 2,456,284 | 923,453 |
| Cash and cash equivalents at beginning of period | 3,053,294 | 3,281,319 |
| Cash and cash equivalents at end of period | $5,509,578 | $4,204,772 |

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

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

## I. History and Organization

Bora Pharmaceuticals Co., Ltd. ("the Company") was incorporated in the Republic of China ("R.O.C.") on June 12, 2007, initially as 'Bora International Co., LTD.' until it was renamed in June 2013. The Company's initial registered office and principal place of business was of Sing'ai Rd., Neihu Dist., Taipei City, Republic of China (R.O.C.), and then relocated to 6F., No. 2, Aly. 36, Ln. 26, Ruiguang Rd., Neihu District, Taipei City, Republic of China (R.O.C.) on February 2, 2021. The main activities of the Company focus on manufacturing and selling generic, brand, and over-the-counter (OTC) drugs, contract development and manufacturing (CDMO). The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on December 19, 2023.

## II. The Authorization of Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended June 30, 2024 and 2023 were authorized for issue by the Board of Directors on August 13, 2024.

## 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 January 1, 2024. 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 | Lack of Exchangeability – Amendments to IAS 21 | January 1, 2025 |

(a) 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.

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

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 "Insurance Contracts" | January 1, 2023 |
| c | IFRS 18 "Presentation and Disclosure in Financial Statements" | January 1, 2027 |
| d | Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19) | January 1, 2027 |
| e | Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 | January 1, 2026 |
| f | Annual Improvements to IFRS Accounting Standards – Volume 11 | January 1, 2026 |

(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) IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 replaces IAS 1 "Presentation of Financial Statements". The main changes are as below:

(1) Improved comparability in the statement of profit or loss (income statement)
IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analyzing entities' performance and make it easier to compare entities.
(2) Enhanced transparency of management-defined performance measures
IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

(3) Useful grouping of information in the financial statements
IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

(d) Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)

This standard permits subsidiaries without public accountability to provide reduced disclosures when applying IFRS Accounting Standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

(e) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

The amendments include:

(4) Clarify that a financial liability is derecognized on the settlement date and describe the accounting treatment for settlement of financial liabilities using an electronic payment system before the settlement date.

(5) Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.

(6) Clarify the treatment of non-recourse assets and contractually linked instruments.

(7) Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

(f) Annual Improvements to IFRS Accounting Standards – Volume 11

(1) Amendments to IFRS 1
(2) Amendments to IFRS 7
(3) Amendments to Guidance on implementing IFRS 7
(4) Amendments to IFRS 9
(5) Amendments to IFRS 10
(6) Amendments to IAS 7

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. As the Group is still currently determining the potential impact of the new or amended standards and interpretations listed (a) - (f) to the Group's financial position and performance, and the related impact will be disclosed when the evaluation is completed.

## IV. Summary of Significant Accounting Policies

1. Statement of compliance

The consolidated financial statements of the Group for the six months ended June 30, 2024 and 2023 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 "Interim Financial Reporting" 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. power over the investee (i.e. existing rights that give it the current ability to direct the relevant 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 June 30, 2024 | December 31, 2023 | June 30, 2023 | Note |
|---|---|---|---|---|---|---|
| Bora Pharmaceuticals Co., Ltd. | Union Chemical & Pharmaceutical Co., Ltd. | Pharmaceutical manufacturing and wholesale | -% | -% | 100% | Note 1 |
| Bora Pharmaceuticals Co., Ltd. | Bora Health Inc. | Pharmaceutical wholesale and healthcare product wholesale | -% | -% | 90.44% | Note 2 |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Laboratories Inc. | Pharmaceutical contract development and manufacturing | 100% | 100% | 100% | |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceuticals USA Inc. | Pharmaceutical wholesale | 100% | 100% | 100% | |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Services Inc. | Pharmaceutical contract development and manufacturing | 50% | 50% | 50% | |
| Bora Pharmaceuticals Co., Ltd. | Bora Management Consulting Co., Ltd. | Management and consulting | 100% | 100% | 100% | |
| Bora Pharmaceuticals Co., Ltd. | Bora Biologics Co., Ltd. | Biotechnical services, research and development services and pharmaceutical manufacturing | 62.61% | 65.70% | 65.70% | Note 3 |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical and Consumer Health Inc. | Biotechnical research and management and consulting | 100% | 100% | 100% | |
| Bora Pharmaceuticals Co., Ltd. | TWi Pharmaceuticals, Inc. | Pharmaceutical manufacturing and wholesale | 100% | 100% | 100% | Note 4 |
| Bora Pharmaceuticals Co., Ltd. | SunWay Biotech Co., LTD. | Healthcare product wholesale and retail | 35.79% | 35.79% | -% | Note 2<br>Note 5 |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceutical Services Inc. | Pharmaceutical manufacturing and Sales | 50% | 50% | 50% | |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Ophthalmic Inc. | Pharmaceutical contract development and manufacturing | 98.85% | 98.85% | -% | Note 6 |
| TWi Pharmaceuticals, Inc. | Bora Pharmaceuticals Ophthalmic Inc. | Pharmaceutical contract development and manufacturing | -% | -% | 98.64% | Note 6 |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | Pharmaceutical wholesale | 100% | 100% | 100% | |
| SunWay Biotech Co., LTD. | Sunway Group Holding Limited | Investment holding | 100% | 100% | -% | Note 2 |
| SunWay Biotech Co., LTD. | Chen Run Marketing Co., Ltd | Healthcare product wholesale | 51% | 51% | -% | Note 2 |
| SunWay Biotech Co., LTD. | Bora Health Inc. | Pharmaceutical wholesale and healthcare product wholesale | 100% | 100% | -% | Note 2 |
| Sunway Group Holding Limited | Sunway Investment (H.K.) Limited | Investment holding | 100% | 100% | -% | Note 2 |
| Sunway Investment (H.K.) Limited | Sunway (Dongguan) Biotech Co., Ltd. | Healthcare product wholesale and retail | 100% | 100% | -% | Note 2 |

| Investor | Subsidiary | Major business | Percentage of Ownership June 30, 2024 | December 31, 2023 | June 30, 2023 | Note |
|---|---|---|---|---|---|---|
| Bora Health Inc. | Union Chemical & Pharmaceutical Co., Ltd. | Pharmaceutical manufacturing and wholesale | 100% | 100% | -% | Note 1 |
| Bora Pharmaceuticals USA Inc. | Bora Pharmaceuticals Holdings, Inc. | Investment holding | 100% | -% | -% | Note 7 |
| Bora Pharmaceuticals USA Inc. | Bora Pharmaceuticals Injectables Inc. | Pharmaceutical contract development and manufacturing | 100% | -% | -% | Note 8 |
| Bora Pharmaceuticals USA Inc. | Bora Pharmaceuticals Inc. | Pharmaceutical contract development and manufacturing | 100% | -% | -% | Note 9 |
| Bora Pharmaceutical Holdings, Inc. | Upsher-Smith Holdings Inc. | Investment holding | 100% | -% | -% | Note 10<br>Note 11 |
| Bora Pharmaceutical Holdings, Inc. | Upsher-Smith America LLC | Investment holding | 20% | -% | -% | Note 10<br>Note 11 |
| Upsher-Smith Holdings Inc. | Upsher-Smith America LLC | Investment holding | 80% | -% | -% | Note 10<br>Note 11 |
| Upsher-Smith America LLC | Upsher-Smith Laboratories, LLC | Pharmaceutical manufacturing and wholesale | 100% | -% | -% | Note 10 |

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 order to enhance the efficiency of research and development as well as expanding the portfolio of health care products, the Company's board of directors resolved on August 21, 2023, to acquire 35.79% of equity interests of SunWay Biotech Co., LTD. in exchange for all the Company's equity interest of Bora Health Inc. Upon the completion of share conversion effective on November 1, 2023, the Company obtained the control over SunWay Biotech Co., LTD. and its subsidiaries and they have been included in the consolidated financial statements.

Note 3: As the optionees exercised the stock options of Bora Biologics Co., Ltd., the percentage of ownership of Bora Biologics Co., Ltd. was reduced from 65.70% to 62.61%.

Note 4: TWi Pharmaceuticals, Inc., changed its Chinese company name and completed the registration of the name change in May 2024.

Note 5: The Company holds less than 50% of the voting rights of SunWay Biotech Co., LTD. but still has control over it because the Company is the single largest shareholder of SunWay Biotech Co., LTD. since the acquisition date while the other shareholders are relatively dispersed. As the Company has the ability to dominate major relevant activities of SunWay Biotech Co., LTD., SunWay Biotech Co., LTD. becomes one of the Company's subsidiary accordingly.

Note 6: For 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. in July 2023.

Note 7: The Group registered and established a wholly-owned subsidiary, Bora Pharmaceutical Holdings, Inc., in the USA in January 2024 with capital injections amounted to US$62,001 thousand remitted in March and May 2024, respectively.

Note 8: The Group registered and established a wholly-owned subsidiary, Bora Pharmaceuticals Injectables Inc., in the USA in May 2024. As of June 30, 2024, the capital injection has not yet been remitted.

Note 9: The Group registered and established a wholly-owned subsidiary, Bora Pharmaceuticals Inc. in the USA in May 2024. As of June 30, 2024, the capital injection has not yet been remitted.

Note 10: On January 16, 2024, the Group's Board of Directors resolved to acquire 100% equity interests of Sawai America Holdings Inc. and its subsidiaries, Sawai America LLC and Upsher-Smith Laboratories, LLC. As of April 2, 2024 (April 1, 2024, US Eastern Time), the Group had control over Sawai America Holdings Inc. and its subsidiaries and they have been included in the consolidated financial statements.

Note 11: Upsher-Smith Holdings Inc. and Upsher-Smith America LLC, formerly Sawai American Holdings Inc. and Sawai America LLC, respectively, changed their company names and completed registrations for the name change in May 2024.

4. Except for the accounting policies listed below, the same accounting policies have been followed in the consolidated financial statements for the six months ended June 30, 2024 and 2023 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2023. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2023.

(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 six months ended June 30, 2024 and 2023 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2023. For significant accounting judgments, estimates and assumptions, please refer to the consolidated financial statements for the year ended December 31, 2023.

VI. Details of Significant Accounts

1. Cash and cash equivalents

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Cash on hand | $1,091 | $1,034 | $841 |
| Checking accounts and demand deposits | 4,370,385 | 2,902,260 | 4,806,301 |
| Time deposits | 1,138,102 | 150,000 | 117,400 |
| Total | $5,509,578 | $3,053,294 | $4,204,772 |

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

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Mandatorily measured at fair value through profit or loss: | | | |
| Stocks | $20,275 | $- | $- |
| Cash surrender value of life insurance | 91,249 | - | - |
| Embedded derivative－Right of redemption of convertible bonds | 1,360 | - | 1,421 |
| Total | $112,884 | $- | $1,421 |
| Current | $21,635 | $- | $- |
| Non-current | $91,249 | $- | $1,421 |

Note: Cash surrender value of life insurance is an insurance that employees were insured, and the employer is the beneficiary of the insurance term. The insurance payment is the part of cash surrender value that was a deduction of current insurance expense and becomes an addition of carrying value of the surrender value of life insurance. The carrying value will be deducted when the insurance expires or is terminated.

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

3. Financial assets at fair value through other comprehensive income

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Equity instrument investments measured at fair value through other comprehensive income – Non-current: | | | |
| Stocks – non-listed entities | $208,258 | $7,758 | $- |

The Group has no financial assets measured at fair value through other comprehensive income, pledged to others.

4. Financial assets at amortized cost

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Time deposits | $356,296 | $334,951 | $300 |
| Restricted deposits | 1,709,013 | 21,176 | 186,434 |
| Total | $2,065,309 | $356,127 | $186,734 |
| Current | $2,051,809 | $342,627 | $173,534 |
| Non-current | $13,500 | $13,500 | $13,200 |

Please refer to Note VIII for more details on financial assets measured at amortized cost under pledge and Note VI.24 for more details on loss allowance and Note XII for more details on credit risk management.

5. Notes receivable, net

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Notes receivable from operation, gross | $32,443 | $54,323 | $25,877 |
| Less: loss allowance | - | - | - |
| Subtotal | $32,443 | $54,323 | $25,877 |

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.24 for more details on loss allowance and Note XII for details on credit risk management.

6. Accounts receivable and accounts receivable－related party

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Accounts receivable, gross | $9,511,637 | $3,907,992 | $3,346,224 |
| Less: loss allowance | (29,675) | (17,408) | (12,127) |
| Subtotal | 9,481,962 | 3,890,584 | 3,334,097 |
| Accounts receivable from related party, gross | 69,226 | 68,290 | 13,202 |
| Less: loss allowance | - | - | - |
| Subtotal | 69,226 | 68,290 | 13,202 |
| Total | $9,551,188 | $3,958,874 | $3,347,299 |

Accounts receivable were not pledged.

The terms of accounts receivable are generally on 30 to 180 days. The total gross amount as of June 30, 2024, December 31, 2023 and June 30, 2023 amounted to NT$9,580,863 thousand, NT$3,976,282 thousand and NT$3,359,426 thousand, respectively. Please refer to Note VI.24 for more details on loss allowance of accounts receivable for the six months ended June 30, 2024 and 2023. Please refer to Note XII for more details on credit risk management.

7. Inventories, net

(1) Details on net inventories are as follows:

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Raw materials | $1,952,875 | $961,801 | $852,088 |
| Supplies and spares parts | 134,009 | 113,986 | 125,111 |
| Work in progress | 100,313 | 100,390 | 78,424 |
| Semi-finished goods | 932,951 | 303,814 | 352,906 |
| Finished goods | 1,724,293 | 576,456 | 486,278 |
| Merchandise | 139,488 | 99,687 | 86,597 |
| Total | $4,983,929 | $2,156,134 | $1,981,404 |

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

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Cost of goods sold | $3,022,390 | $1,390,037 | $4,339,433 | $4,232,772 |
| Inventories shortage (overage) | 2,217 | (840) | 3,188 | (2,619) |
| Write-down of inventories loss (reversal gain) | 51,535 | 24,870 | 85,024 | 38,714 |
| Total | $3,076,142 | $1,414,067 | $4,427,645 | $4,268,867 |

(3) No inventories were pledged.

8. Investments accounted for using the equity method

(1) The following table lists the investments accounted for using the equity method of the Group:

| | June 30, 2024 | | December 31, 2023 | | June 30, 2023 | |
|---|---|---|---|---|---|---|
| Investees | Carrying amount | Percentage of ownership (%) | Carrying amount | Percentage of ownership (%) | Carrying amount | Percentage of ownership (%) |
| Investments in associates: | | | | | | |
| GTSW BIOTECH SDN. BHD. | $1,077 | 40.00% | $- | -% | $- | -% |

(2) Investment in associates is not significant to the Group. The associate was established in January 2024 and the following table lists its financial information based on its share of investment:

| | Six months ended June 30 | Six months ended June 30 |
|---|---|---|
| | 2024 | 2023 |
| Net income from continuing operations | $(165) | $- |

(3) The associate had no contingencies or unrecognized contractual commitments as of June 30, 2024, and the associate had not pledged.

9. Property, plant and equipment

| | Land | Buildings | Machinery equipment | Office equipment | Leasehold improvements | Other equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| January 1, 2024 | $3,424,023 | $1,944,518 | $2,416,032 | $54,598 | $251,811 | $90,090 | $115,838 | $8,296,910 |
| Addition | - | 5,867 | 49,738 | 8,071 | - | 1,882 | 76,583 | 142,141 |
| Acquisitions through business combinations | 362,973 | 5,360,018 | 2,028,647 | 173,255 | - | - | 108,070 | 8,032,963 |
| Disposals | - | - | (21,715) | (1,112) | - | (554) | - | (23,381) |
| Reclassification | - | 2,971 | 28,284 | 152 | 210 | - | (31,655) | (38) |
| Exchange differences | 29,115 | 91,805 | 41,530 | 3,000 | - | - | 3,307 | 168,757 |
| June 30, 2024 | $3,816,111 | $7,405,179 | 4,542,516 | $237,964 | $252,021 | $91,418 | $272,143 | $16,617,352 |
| January 1, 2023 | $3,397,207 | $1,905,066 | $2,321,376 | $63,351 | $205,288 | $68,645 | $76,723 | $8,037,656 |
| Addition | - | 4,565 | 67,820 | 1,127 | 11,962 | 4,988 | 27,879 | 118,341 |
| Disposals | - | (6,949) | (1,064) | (90) | - | (137) | - | (8,240) |
| Reclassification | - | 2,787 | 29,271 | (13,134) | 8,397 | 15,391 | (47,866) | (5,154) |
| Exchange differences | 40,983 | 22,130 | 18,712 | 320 | - | - | 1,785 | 83,930 |
| June 30, 2023 | $3,438,190 | $1,927,599 | $2,436,115 | $51,574 | $225,647 | $88,887 | $58,521 | $8,226,533 |
| | | | | | | | | |
| Depreciation and impairment: | | | | | | | | |
| January 1, 2024 | $- | $457,461 | $1,053,512 | $29,080 | $51,419 | $55,444 | $- | $1,646,916 |
| Depreciation | - | 57,584 | 149,124 | 7,237 | 6,873 | 4,208 | - | 225,026 |
| Acquisitions through business combinations | | 3,134,038 | 1,178,494 | 124,147 | | | | 4,436,679 |
| Disposals | - | - | (21,702) | (1,094) | - | (415) | - | (23,211) |
| Reclassification | - | - | - | - | - | - | - | - |
| Exchange differences | - | 47,538 | 22,163 | 2,146 | - | - | - | 71,847 |
| June 30, 2024 | $- | $3,696,621 | $2,381,591 | $161,516 | $58,292 | $59,237 | $- | $6,357,257 |
| January 1, 2023 | $- | $406,660 | $898,878 | $34,111 | $15,021 | $37,874 | $- | $1,392,544 |
| Depreciation | - | 40,591 | 113,139 | 3,195 | 6,425 | 3,765 | - | 167,115 |
| Disposals | - | (2,580) | (341) | (90) | - | (97) | - | (3,108) |
| Reclassification | - | - | - | (12,140) | - | 12,140 | - | - |
| Exchange differences | - | 1,631 | 5,852 | 84 | - | - | - | 7,567 |
| June 30, 2023 | $- | $446,302 | $1,017,528 | $25,160 | $21,446 | $53,682 | $- | $1,564,118 |
| Net carrying amount as of: | | | | | | | | |
| June 30, 2024 | $3,816,111 | $3,708,558 | $2,160,925 | $76,448 | $193,729 | $32,181 | $272,143 | $10,260,095 |
| December 31, 2023 | $3,424,023 | $1,487,057 | $1,362,520 | $25,518 | $200,392 | $34,646 | $115,838 | $6,649,994 |
| June 30, 2023 | $3,438,190 | $1,481,297 | $1,418,587 | $26,414 | $204,201 | $35,205 | $58,521 | $6,662,415 |

(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 six months ended June 30, 2024 and 2023.
(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 which was held for lease and the remaining portion was owner-occupied. The leased portion was recognized as investment properties.

10. Investment properties

Investment properties represent the Group's owns investment properties. The Group has entered into several commercial property leases on its own investment properties with lease terms approximately between 3 to 9 years. These leases include a clause for annual rate adjustment to reflect the change in market conditions.

| | Buildings |
|---|---|
| Cost: | |
| January 1, 2024 | $19,449 |
| Additions | - |
| June 30, 2024 | $19,449 |
| January 1, 2023 | $19,449 |
| Reclassification | - |
| June 30, 2023 | $19,449 |
| | |
| Depreciation and impairment: | |
| January 1, 2024 | $2,431 |
| Depreciation | 304 |
| June 30, 2024 | $2,735 |
| January 1, 2023 | $1,823 |
| Depreciation | 304 |
| June 30, 2023 | $2,127 |
| | |
| Net carrying amount as of: | |
| June 30, 2024 | $16,714 |
| December 31, 2023 | $17,018 |
| June 30, 2023 | $17,322 |

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net income from investment properties | $1,104 | $960 | $2,530 | $2,289 |

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 amounted to NT$53,094 thousand, NT$53,094 thousand and NT$54,405 thousand as of June 30, 2024, December 31, 2023 and June 30, 2023, 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:

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Net income margin | $110,741 | $110,741 | $110,269 |
| Capitalization rate | 2.11% | 2.11% | 2.07% |

Comparison approach:

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Regional factors | 98%-100% | 98%-100% | 100% |
| Individual factors | 89%-91% | 89%-91% | 90%-94% |

11. Intangible assets

| | Patent | Product/right distribution | Goodwill | Software | Drug license | Customers relationship | Others | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| January 1, 2024 | $275,396 | $224,444 | $2,781,388 | $249,194 | $2,254,352 | $321,000 | $77,812 | $6,183,586 |
| Addition | 79 | 598 | - | 3,062 | - | - | 14,845 | 18,584 |
| Acquisitions through business combinations | - | 11,739,458 | - | 235,287 | - | - | 3,270,115 | 15,244,860 |
| Reclassification | - | - | - | 38 | - | - | - | 38 |
| Exchange differences | - | 172,542 | - | 7,883 | - | - | 48,212 | 228,637 |
| June 30, 2024 | $275,475 | $12,137,042 | $2,781,388 | $495,464 | $2,254,352 | $321,000 | $3,410,984 | $21,675,705 |
| January 1, 2023 | $- | $250,366 | $983,585 | $228,945 | $1,009,383 | $- | $64,827 | $2,537,106 |
| Addition | - | - | - | 2,198 | 59,262 | - | - | 61,460 |
| Reclassification | - | - | - | 5,154 | - | - | - | 5,154 |
| Disposals | - | (25,922) | - | (519) | - | - | - | (26,441) |
| Exchange differences | - | - | - | 6,630 | - | - | - | 6,630 |
| June 30, 2023 | $- | $224,444 | $983,585 | $242,408 | $1,068,645 | $- | $64,827 | $2,583,909 |
| | | | | | | | | |
| Amortization and impairment: | | | | | | | | |
| January 1, 2024 | $33,665 | $224,238 | $- | $145,888 | $128,102 | $4,458 | $51,565 | $587,916 |
| Amortization | 12,304 | 6,029 | - | 26,805 | 93,548 | 13,375 | 12,876 | 164,937 |
| Acquisitions through business combinations | - | 11,385,823 | - | 198,993 | - | - | 3,261,960 | 14,846,776 |
| Exchange differences | - | 167,438 | - | 5,758 | - | - | 47,940 | 221,136 |
| June 30, 2024 | $45,969 | $11,783,528 | $- | $377,444 | $221,650 | $17,833 | $3,374,341 | $15,820,765 |
| January 1, 2023 | $- | $248,555 | $- | $100,106 | $21,417 | $- | $19,597 | $389,675 |
| Amortization | - | 802 | - | 20,492 | 32,787 | - | 13,226 | 67,307 |
| Disposals | - | (25,922) | - | (519) | - | - | - | (26,441) |
| Exchange differences | - | - | - | 2,847 | - | - | - | 2,847 |
| June 30, 2023 | $- | $223,435 | $- | $122,926 | $54,204 | $- | $32,823 | $433,388 |
| | | | | | | | | |
| Net book value: | | | | | | | | |
| June 30, 2024 | $229,506 | $353,514 | $2,781,388 | $118,020 | $2,032,702 | $303,167 | $36,643 | $5,854,940 |
| December 31, 2023 | $241,731 | $206 | $2,781,388 | $103,306 | $2,126,250 | $316,542 | $26,247 | $5,595,670 |
| June 30, 2023 | $- | $1,009 | $983,585 | $119,482 | $1,014,441 | $- | $32,004 | $2,150,521 |

Amortization expense of intangible assets under the statements of comprehensive income:

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| Amortization recognized in | 2024 | 2023 | 2024 | 2023 |
| Operating costs | $68,524 | $31,658 | $127,261 | $61,536 |
| Operating expenses | $19,027 | $2,876 | $37,676 | $5,771 |

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

The Company assesses impairment of the recoverable amount of goodwill at the end of each annual financial reporting date. 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 December 31, 2023, the pre-tax discount rate applied to cash flow projections was 14.80%, to reflect the specific risks related to cash-generating units.

13. Short-term loans

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Unsecured bank loans | $7,576,718 | $767,508 | $769,477 |
| Secured bank loans | 200,000 | - | 1,118,000 |
| Total | $7,776,718 | $767,508 | $1,949,477 |
| Interest rates | 1.00%~6.74% | 1.20%~2.40% | 1.20%~2.30% |
| Unused credit line | $8,086,732 | $5,057,720 | $2,919,950 |

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

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Held for trading: | | | |
| Derivatives not designated as hedging instruments－ | | | |
| Forward foreign exchange agreements | $292 | $- | $- |
| Contingent consideration from business combination | 324,500 | 1,935,436 | 1,286,128 |
| Embedded derivatives－ | | | |
| Put option on convertible bonds | - | 9,009 | - |
| Total | $324,792 | $1,944,445 | $1,286,128 |
| Current | $324,792 | $1,584,841 | $1,003,300 |
| Non-current | $- | $359,604 | $282,828 |

15. Other payables

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Investments payable | $1,011,660 | $184,230 | $247,245 |
| Salaries payable | 251,311 | 106,398 | 84,110 |
| Employees' and directors' remuneration payable | 187,741 | 190,972 | 111,876 |
| Bonus payable | 177,458 | 220,311 | 116,303 |
| Repair and maintenance payable | 59,383 | 122,191 | 64,995 |
| Royalty fees payable | 685,508 | 305,658 | 272,878 |
| Intangible assets payables | 9,735 | 127,426 | - |
| Other payables | 921,869 | 269,566 | 353,269 |
| Total | $3,304,665 | $1,526,752 | $1,250,676 |

16. Domestic convertible bonds payable

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Liability component: | | | |
| Principal amount | $1,699,700 | $1,699,800 | $122,500 |
| (Discounts) on convertible bonds payable | (144,586) | (161,439) | (10,220) |
| Subtotal | 1,555,114 | 1,538,361 | 112,280 |
| Less: current portion | - | - | - |
| Net | $1,555,114 | $1,538,361 | $112,280 |
| Embedded derivatives (shown as "Financial (liabilities) assets measured at fair value through profit or loss, non-current) | $1,360 | $(9,009) | $1,421 |
| Equity component (shown as "Capital Surplus, net of tax) | $392,008 | $392,017 | $14,498 |

Please refer to Note VI.27 for more details on the evaluation of gain and loss of embedded derivatives and the interest expenses of the domestic convertible bonds payable.

On September 28, 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: September 28, 2022 ~ September 28, 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 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 day 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 day 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 (at 100.7519% of principal amount) after September 28, 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 December 29, 2022 and prior to September 28, 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.

All of the bonds were already converted into 2,787 thousand of common shares at October 18, 2023.

On August 4, 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: August 4, 2023 ~ August 4, 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 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 day 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 day 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 (at 100.7519% of principal amount) after August 4, 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 November 5, 2023 and prior to August 4, 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 June 30, 2024, NT$300 thousand of the bonds were converted into 480 common shares, of which 160 shares were recognized as advance receipts for capital stock.

17. Long-term loans

Details of long-term loans as of June 30, 2024, December 31, 2023 and June 30, 2023 are as follows:

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Unsecured Bank Loan | $5,640,000 | $364,000 | $273,714 |
| Secured Bank Loan | 2,809,693 | 1,475,579 | 3,616,656 |
| Less: unamortized issuance cost | (45,474) | (23,817) | (28,782) |
| Less: current portion | (1,277,303) | (630,502) | (2,237,260) |
| Total | $7,126,916 | $1,185,260 | $1,624,328 |
| Interest Rate | 2.03%~7.03% | 1.90%~6.68% | 1.90%~6.15% |
| Maturity date | Due prior to December 2034 | Due prior to December 2034 | Due prior to December 2034 |

(1) Please refer to Note VIII for more details on pledges for the loan.
(2) Some of the long-term loan agreements require the Company to maintain certain financial covenants during the borrowing period, including the current ratio, debt ratio, and the ratio of the Company’s annual debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) not to exceed a certain multiple. As of June 30, 2024, some of the borrower's financial ratios did not meet the requirements. The borrower has obtained the waiver from bank in accordance with loan agreements which were not considered default. As at June 30, 2024, the long-term loans were not reclassified as current liabilities.

18. Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three months ended June 30, 2024 and 2023 were NT$50,254 thousand and NT$26,753 thousand, respectively. Expenses under the defined contribution plan for the six months ended June 30, 2024 and 2023 were NT$82,281 thousand and NT$43,319 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three months ended June 30, 2024 and 2023 amounted to NT$78 thousand and NT$85 thousand, respectively. Expenses under the defined benefits plan for the six months ended June 30, 2024 and 2023 amounted to NT$156 thousand and NT$171 thousand, respectively.

19. Provisions

| | Onerous contracts | Decommissioning, restoration and rehabilitation costs | Employee benefits | Total |
|---|---|---|---|---|
| January 1, 2024 | $210,107 | $5,000 | $146,221 | $361,328 |
| Acquisitions through business combinations | - | - | 158,489 | 158,489 |
| Utilized | (55,009) | - | (26,341) | (81,350) |
| Reversal during the period | - | - | (2,245) | (2,245) |
| Exchange differences | 3,835 | - | 4,647 | 8,482 |
| June 30, 2024 | $158,933 | $5,000 | $280,771 | $444,704 |
| January 1, 2023 | $311,484 | $- | $164,613 | $476,097 |
| Arising during the period | - | - | 2,049 | 2,049 |
| Utilized | (53,107) | - | (11,165) | (64,272) |
| Cancellation | - | - | (12,394) | (12,394) |
| Exchange differences | 9,251 | - | 4,501 | 13,752 |
| June 30, 2023 | $267,628 | $- | $147,604 | $415,232 |
| | | | | |
| Current- June 30, 2024 | $110,861 | $5,000 | $144,112 | $259,973 |
| Non-current- June 30, 2024 | $48,072 | $- | $136,659 | $184,731 |
| | | | | |
| Current- December 31, 2023 | $108,660 | $5,000 | $30,863 | $144,523 |
| Non-current- December 31, 2023 | $101,477 | $- | $115,358 | $216,805 |
| | | | | |
| Current- June 30, 2023 | $109,971 | $- | $28,431 | $138,402 |
| Non-current- June 30, 2023 | $157,657 | $- | $119,173 | $276,830 |

Onerous contracts

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

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose from the costs incurring after the decommissioning of a facility in accordance with the term of the contract.

Employee benefits

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

The long-term incentive plan mainly awards performance units and time units to key employees of a U.S. subsidiary every year. During the period of the incentive plan, the performance unit will grant cash rewards to employees periodically based on the degree of performance achievement, and will be paid at the end of the incentive plan period. The time unit is awarded to key employees according to the conditions of the long-term incentive plan and based on the employee's employment status.

20. Deferred compensation plan

The unrestricted deferred compensation plan provides some key employees of a U.S. subsidiary with a benefit plan in compliance with Section 409A of the U.S. Internal Revenue Code. In addition to the employer's contribution granted to employees equally over a five-year period, employees can defer up to 70% of their basic salary and up to 95% of their performance-related compensation.

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Recognized as other current liabilities | $36,873 | $- | $- |
| Recognized as other non-current liabilities | $126,396 | $- | $- |

21. Equity

(1) Common stock

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Authorized shares (in thousands) | 200,000 | 200,000 | 200,000 |
| Authorized capital | $2,000,000 | $2,000,000 | $2,000,000 |
| Issued and paid shares (in thousands) | 101,550 | 101,413 | 77,435 |
| Capital stock | $1,015,501 | $1,014,128 | $774,348 |

① Ordinary stock with par value at NT$10 per share. Each share has one voting right and is entitled to receive dividends.

② For the year ended December 31, 2023, the Company's 2nd convertible bond in the amount of NT$708,000 thousand were converted to 2,480 thousand of ordinary shares with an amount of NT$24,796 thousand. All the converted shares have completed the registration process.

③ For the year ended December 31, 2023, the Company's 3th convertible bond in the amount of NT$200 thousand were converted to 320 ordinary shares with an amount of NT$3 thousand. All the converted shares have completed the registration process.

④ For the six months ended June 30, 2024, the Company's 3th convertible bond in the amount of NT$100 thousand were converted to 160 ordinary shares with an amount of NT$2 thousand. The converted shares have not completed the registration process and are recognized as capital – advance receipts for ordinary share as at June 30, 2024.

⑤ For the year ended December 31, 2023, the Company's employee stock option holders have converted 185 thousand shares at the exercise price from NT$106.8 to NT$150.4 per share. All the converted shares have completed the registration process.

⑥ For the six months ended June 30, 2024, the Company's employee stock option holders have converted 61 thousand shares at the exercise price from NT$106.8 to NT$150.4 per share to an amount of NT$610 thousand, of which 9 thousand shares with an amount of NT$90 thousand have completed the registration process on June 13, 2024. The residual converted shares have not completed the registration process and were recognized as capital – advance receipts for ordinary share as of June 30, 2024.

⑦ Stock dividends 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 at the shareholders' meeting held on June 6, 2023. Each share has one voting right and is entitled to receive dividends. The capital injection was approved by the Financial Supervisory Commission on August 30, 2023 and the amendment registration was completed.

(2) Capital surplus

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Additional paid-in capital | $946,935 | $936,839 | $905,432 |
| Conversion premium from convertible bonds | 908,050 | 908,017 | 782,203 |
| Employee stock option | 177,397 | 118,876 | 72,226 |
| Treasury stock | 44,092 | 40,683 | 35,315 |
| Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired/disposed of | 869,385 | 874,793 | 2,177 |
| Increase (decrease) through changes in ownership interests in subsidiaries | 47,125 | 47,125 | - |
| Due to recognition of equity component of convertible bonds issued | 392,008 | 392,017 | 14,498 |
| Total | $3,384,992 | $3,318,350 | $1,811,851 |

According to the 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, or capitalize the capital surplus at a fixed ratio of the paid-in capital. The distribution could be made in cash 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 six months ended June 30, 2024: (Unit: thousand shares)

| Cause | Beginning balance | Addition | Decrease | Ending balance |
|---|---|---|---|---|
| Transfer to employees | 288 | 519 | (7) | 800 |

For the six months ended June 30, 2023:

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

b. As of June 30, 2024, December 31, 2023 and June 30, 2023, the treasury stock held by the Company amounted to NT$438,856 thousand, NT$50,986 thousand and NT$52,738 thousand, respectively, and the number of treasury stock held by the Company was 800 thousand, 288 thousand and 298 thousand shares, respectively.

c. For the six months ended June 30, 2024, 7 thousand shares of treasury stock were transferred by the Company to employees in the amount of NT$1,239 thousand.

(4) Retained earnings and dividend policies

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

a. Pay 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;
e. The distribution of the remaining portion, if any, is proposed by the Board of Directors to be reported to 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, the Company shall set aside amounts to legal reserve until 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 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 March 31, 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 earnings distribution in the corresponding proportion originally allocated to special reserve.

Details of the 2023 and 2022 earnings distribution and dividends per share approved and resolved by shareholders' meeting held on May 27, 2024 and June 6, 2023, respectively, are as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Legal reserve | $303,014 | $139,065 | $- | $- |
| Special reserve | - | (23,919) | - | - |
| Common stock－cash dividend | 1,214,798 | 619,134 (Note) | 12 | 8 |
| Common stock－stock dividend | - | 231,410 (Note) | - | 3 |

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.27 for details on employees' compensation and remuneration to directors.

(5) Non-controlling interests

| | Six months ended June 30 | |
|---|---|---|
| | 2024 | 2023 |
| Beginning balance | $2,681,024 | $612,134 |
| Profit attributable to non-controlling interests | 69,332 | 12,729 |
| Acquisition of new shares in a subsidiary not in proportionate to ownership interest | 88,344 | - |
| Issuance of employee stock option by subsidiaries | 7,646 | 2,607 |
| Distribution of cash dividend by subsidiaries | (38,391) | (2,660) |
| Translation differences of foreign operations | 49 | - |
| Ending balance | $2,808,004 | $624,810 |

22. 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 November 4, 2020, January 10, 2022, and May 17, 2023, the Company was approved by the Securities and Futures Bureau of the FSC, to issue employee share options totaling 1,000, 1,000,000 and 1,000,000 units, respectively. Each unit entitles an optionee to subscribe for 1,000 shares, 1 share, and 1 share of the Company's common shares, respectively. The exercise price of the option was set at the closing price of the parent company's common share on the grant date. Only the employees of the parent 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 optionees may exercise the options in accordance with certain schedules as prescribed by the plan after 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 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) |
|---|---|---|
| December 29, 2020 | 275 | $106.8 |
| August 13, 2021 | 598 | $150.4 |
| May 11, 2022 | 477 | $109.3 |
| August 31, 2022 | 160 | $258.1 |
| December 8, 2022 | 345 | $295.0 |
| September 19, 2023 | 535 | $646.0 |
| November 14, 2023 | 10 | $608.0 |
| March 11, 2024 | 264 | $625.0 |
| May 14,2024 | 187 | $710.0 |

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:

| | 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 |

| | 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 |

| | 2023 | |
|---|---|---|
| Dividend yield (%) | - | - |
| Expected volatility (%) | 48.72%~ 49.56% | 48.72%~ 49.56% |
| Risk-free interest rate (%) | 1.081% ~ 1.123% | 1.081% ~ 1.123% |
| Expected option life (Years) | 3.5 ~ 4.5 | 3.5 ~ 4.5 |
| Weighted average share price ($) | $646 | $608 |
| Option pricing model | Black-Scholes option pricing model | Black-Scholes option pricing model |

| | 2024 | |
|---|---|---|
| Dividend yield (%) | - | - |
| Expected volatility (%) | 47.99% ~ 50.03% | 48.24% ~ 49.59% |
| Risk-free interest rate (%) | 1.146% ~ 1.176% | 1.431% ~ 1.476% |
| Expected option life (Years) | 3.5 ~ 4.5 | 3.5 ~ 4.5 |
| Weighted average share price ($) | $625 | $710 |
| 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 parent company's share-based payment plan:

| | Six months ended June 30 | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| | 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 | 2,035 | $300.4 | 1,725 | $225.2 |
| Granted | 451 | 660.2 | - | - |
| Forfeited | (15) | 258.1 | (35) | 338.6 |
| Exercised | (61) | 108.5 | (46) | 140.3 |
| Expired | - | - | - | - |
| Outstanding, ending | 2,410 | $372.9 | 1,664 | $225.2 |
| Exercisable, ending | 263 | - | 26 | - |

The information on the outstanding stock options as of June 30, 2024 and 2023, is as follows:

| | Range of exercise price per share | Weighted average remaining contractual life (Years) |
|---|---|---|
| As of June 30, 2024 | | |
| Options outstanding | $106.8~$710.0 | 0.84~3.92 |
| As of June 30, 2023 | | |
| Options outstanding | $140.3~$387.5 | 1.62~2.69 |

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

On July 1, 2022, Bora Biologics Co., Ltd. (the "Bora Bio") was authorized by the board of directors 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 per share on the grant date. Only the employees of Bora Bio and its affiliates or associates meeting certain requirements are eligible for the plan. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan after 1 year 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) |
|---|---|---|
| July 1, 2022 | 3,780 | $28 |
| July 25, 2022 | 150 | $28 |
| December 20, 2022 | 1,257 | $28 |
| May 15, 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 depositary 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:

| | Six months ended June 30 | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| | 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 | 4,886 | $28 | 5,187 | $28 |
| Granted | - | - | 96 | 28 |
| Forfeited | (243) | 28 | (192) | 28 |
| Exercised | (2,962) | 28 | - | - |
| Expired | - | - | - | - |
| Outstanding, ending | 1,681 | $28 | 5,091 | $28 |
| Exercisable, ending | 818 | - | 874 | - |

The information on the outstanding stock options as of June 30, 2024 and 2023, is as follows:

| | Range of exercise price per share | Weighted average remaining contractual life (Years) |
|---|---|---|
| As of June 30, 2024 | | |
| Options outstanding | $28 | 1.87~2.05 |
| As of June 30, 2023 | | |
| Options outstanding | $28 | 2.75~3.18 |

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

On December 20, 2022, TWi Pharmaceuticals, Inc. (the "TWi") was authorized by the board of directors 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 per 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 employees who may exercise the options in accordance with certain schedules as prescribed by the plan after 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) |
|---|---|---|
| January 1, 2023 | 1,309 | $31 |
| February 1, 2023 | 565 | $31 |

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:

| | Six months ended June 30 | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| | 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 | 1,734 | $48.4 | - | $- |
| Granted | - | - | 1,874 | 95 |
| Forfeited | (85) | 48.4 | (101) | 57 |
| Exercised | - | - | - | - |
| Expired | - | - | - | - |
| Outstanding, ending | 1,649 | $31.0 | 1,773 | $57 |
| Exercisable, ending | - | - | - | - |

The information on the outstanding stock options as of June 30, 2024 and 2023, is as follows:

| | Range of exercise price per share | Weighted average remaining contractual life (Years) |
|---|---|---|
| As of June 30, 2024 | | |
| Options outstanding | $31 | 2.5 |
| As of June 30, 2023 | | |
| Options outstanding | $57 | 3.5 |

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

Except for the subsidiary Bora Biologics Co., Ltd., which modified some of the stock options outstanding to exercise the stock options in advance, no modification or cancellation of the share-based payment plan has occurred for the six months ended June 30, 2024.

No modification or cancellation of share-based payment plan has occurred for the six months ended June 30, 2023.

(5) The expense recognized for employee share-based plan payment during the six months ended June 30, 2024 and 2023, is shown in the following table:

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Total expense arising from equity-settled share-based payment transactions | $26,499 | $21,328 | $70,254 | $38,748 |

23. Operating revenue

Analysis of revenue from contracts with customers for the six months ended June 30, 2024 and 2023 are as follows:

(1) Disaggregation of revenue

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue from contracts with customers | | | | |
| Sales of goods | $3,639,451 | $1,961,664 | $5,250,295 | $5,498,742 |
| CDMO – services and manufacturing | 1,385,984 | 1,175,282 | 2,630,451 | 2,416,660 |
| Others | 1,876 | 1,619 | 4,058 | 3,695 |
| Total | $5,027,311 | $3,138,565 | $7,884,804 | $7,919,097 |

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Timing of revenue recognition: | | | | |
| At a point in time | $4,781,288 | $3,040,894 | $7,442,943 | $7,708,806 |
| Over time | 246,023 | 97,671 | 441,861 | 210,291 |
| Total | $5,027,311 | $3,138,565 | $7,884,804 | $7,919,097 |

(2) Contract assets – current

| | As at | | | |
|---|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | Jun 30, 2023 | January 1, 2023 |
| Commercial sales | $124,976 | $- | $- | $- |
| CDMO – services and manufacturing | 43,917 | 15,111 | 29,516 | 35,197 |
| Total | $168,893 | $15,111 | $29,516 | $35,197 |

The material changes to the Group's contract assets for the six months ended June 30, 2024 were mainly due to the business combination and the increase of advance receipt. The material changes to the Group's contract assets for the six months ended June 30, 2023 were mainly due to the changes in the stage of completion assessed in accordance with the terms of the contracts.

(3) Contract liabilities

| | As at | | | |
|---|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | Jun 30, 2023 | January 1, 2023 |
| Commercial sales | $101,170 | $44,189 | $31,718 | $14,866 |
| CDMO – services and manufacturing | 161,126 | 180,408 | 136,885 | 69,290 |
| Other | 4,333 | - | 13,006 | 5,720 |
| Total | $266,629 | $224,597 | $181,609 | $89,876 |
| Current | $266,629 | $224,597 | $181,609 | $85,692 |
| Non-current | $- | $- | $- | $4,184 |

The material changes to the Group's contract liabilities balance for the six months ended June 30, 2024 and 2023 were mainly due to the increase in advance receipts.

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

| | Sales allowance and discount |
|---|---|
| Balance as of January 1, 2024 | $1,866,901 |
| Acquisitions through business combinations | 2,015,856 |
| Addition/(reversal) | 16,994,687 |
| Payment | (16,434,935) |
| Exchange differences | 143,280 |
| Balance as of June 30, 2024 | $4,585,789 |
| | |
| Balance as of January 1, 2023 | $2,023,565 |
| Addition/(reversal) | 4,778,748 |
| Payment | (5,070,536) |
| Exchange effects | 22,278 |
| Balance as of June 30, 2023 | $1,754,055 |

Refund liabilities represents estimated net sales related provision, including estimated chargeback, discounts, allowance and other adjustments of wholesale and production and expenses related to U.S. pharmaceutical sales taking into account historical experience and market activity.

24. Expected credit losses/ (gains)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Operating expenses – expected credit losses/(gains) | | | | |
| Accounts receivable | $6,314 | $1,763 | $14,122 | $1,271 |
| Other receivables | - | - | - | (341) |
| Total | $6,314 | $1,763 | $14,122 | $930 |

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

As of June 30, 2024, December 31, 2023 and June 30, 2023, the credit risk measured at amortized cost is assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As trading counterparties which the Group transacts with are financial institutions with good credit, no allowance for losses has been provided in this period.

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 June 30, 2024, December 31, 2023 and June 30, 2023 is as follows:

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

As of June 30, 2024

| Group 1 | | | | Overdue | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $7,269,350 | $1,114,711 | $88,531 | $213,740 | $1,773 | $2,333 | $8,690,438 |
| Loss rate | 0% | 0% | 0% | 0% | 0% | 0% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - |
| Net | $7,269,350 | $1,114,711 | $88,531 | $213,740 | $1,773 | $2,333 | $8,690,438 |

| Group 2 | | | | Overdue | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $665,053 | $123,765 | $47,553 | $71,686 | $2,325 | $12,486 | $922,868 |
| Loss rate | 0.03%~ 1.74% | 0.03%~ 14.68% | 0.03%~ 37.97% | 0.03%~ 57.22% | 0.03%~ 81.39% | 94.94%~ 100% | |
| Lifetime expected credit losses | (4,977) | (6,518) | (4,045) | (1,634) | (460) | (12,041) | (29,675) |
| Net | $660,076 | $117,247 | $43,508 | $70,052 | $1,865 | $445 | $893,193 |
| Receivables, net | | | | | | | $9,583,631 |

As of December 31, 2023

| Group 1 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $3,207,333 | $15,347 | $687 | $957 | $66 | $852 | $3,225,242 |
| Loss rate | 0% | 0% | 0% | 0% | 0% | 0% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - |
| Net | $3,207,333 | $15,347 | $687 | $957 | $66 | $852 | $3,225,242 |

| Group 2 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $720,338 | $58,752 | $7,924 | $3,857 | $1,340 | $13,152 | $805,363 |
| Loss rate | 0.03%~ 0.07% | 0.03%~ 1.15% | 0.03%~ 10.10% | 0.03%~ 14.96% | 0.03%~ 100% | 0.03%~ 100% | |
| Lifetime expected credit losses | (468) | (987) | (1,429) | (163) | (1,209) | (13,152) | (17,408) |
| Net | $719,870 | $57,765 | $6,495 | $3,694 | $131 | $- | $787,955 |
| Receivables, net | | | | | | | $4,013,197 |

As of June 30, 2023

| Group 1 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $2,585,056 | $29,350 | $6,476 | $72,279 | $9 | $1,202 | $2,694,372 |
| Loss rate | 0% | 0% | 0% | 0% | 0% | 0% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - |
| Net | $2,585,056 | $29,350 | $6,476 | $72,279 | $9 | $1,202 | 2,694,372 |

| Group 2 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $632,286 | $33,243 | $10,041 | $1,732 | $1,970 | $11,659 | $690,931 |
| Loss rate | 0% | 0%~ 100% | 0%~ 100% | 0.01%~ 100% | 49.12%~ 100% | 76.85%~ 100% | |
| Lifetime expected credit losses | - | (6) | (9) | (1,032) | (1,215) | (9,865) | (12,127) |
| Net | $632,286 | $33,243 | $10,041 | 700 | 755 | 1,794 | 678,804 |
| Receivables, net | | | | | | | $3,373,176 |

Note: Notes receivable were not overdue.

The movement of loss allowance for accounts receivable for the six months ended June 30, 2024 and 2023 is as follows:

| | Accounts receivable | Contract assets |
|---|---|---|
| Balance as of January 1, 2024 | $17,408 | $- |
| Provision/(reversal) | 14,122 | - |
| Write-off | (2,595) | - |
| Exchange differences | 740 | - |
| Balance as of June 30, 2024 | $29,675 | $- |
| Balance as of January 1, 2023 | $10,314 | $- |
| Provision/(reversal) | 1,271 | - |
| Others | 278 | - |
| Exchange differences | 264 | |
| Balance as of June 30, 2023 | $12,127 | $- |

25. Leases

(1) Group as a lessee

The Group leases various properties, including real estate such as land and buildings, and mechanical 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 follows:

A. Amounts recognized in the balance sheets

(a)Right-of-use assets

The carrying amount of right-of-use assets

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Land | $271,729 | $279,326 | $286,925 |
| Buildings | 558,135 | 556,674 | 326,323 |
| Machinery equipment | 8,723 | - | - |
| Transportation equipment | 3,911 | 4,768 | 7,517 |
| Decommissioning liabilities | 909 | 1,818 | - |
| Total | $843,407 | $842,586 | $620,765 |

For the six months ended June 30, 2024, the Group's additions to right-of-use assets from acquisitions amounting to NT$0 thousand and amounting to NT$52,031 thousand through business combinations, respectively.

There was no new addition to right-of-use assets for the six months ended June 30 2023.

(b) Lease liabilities

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Lease liabilities | $874,379 | $869,372 | $638,101 |
| Current | $109,070 | $106,039 | $81,032 |
| Non-current | $765,309 | $763,333 | $557,069 |

Please refer to Note VI.27 for the interest expense on lease liabilities recognized and refer to Note XII.5 for more details on the maturity analysis for lease liabilities for the six months ended June 30, 2024 and 2023.

B. Amounts recognized in the consolidated statements of comprehensive income

Depreciation of right-of-use assets

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Land | $3,799 | $3,799 | $7,598 | $7,598 |
| Buildings | 21,380 | 13,730 | 41,695 | 27,416 |
| Machinery equipment | 812 | - | 812 | - |
| Transportation equipment | 896 | 777 | 1,690 | 1,694 |
| Decommissioning liabilities | 454 | - | 909 | - |
| Total | $27,341 | $18,306 | $52,704 | $36,708 |

C. Income and costs related to leasing activities

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Expenses relating to short-term leases | $4,159 | $1,289 | $5,225 | $2,387 |
| Expenses relating to leases of low-value assets (Exclude expenses relating to short-term leases of low-value assets) | 458 | 329 | 808 | 1,127 |

D. Cash outflow related to leasing activities

For the six months ended June 30, 2024 and 2023, the Group's total cash outflows for leases amounted to NT$63,799 thousand and NT$44,709 thousand, respectively.

(2) Group as a lessor

Please refer to Note VI.12 for disclosures of the Group's own 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 June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Lease income from operating leases | | | | |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | $2,289 | $2,251 | $3,795 | $4,554 |

Please refer to Note VI.8 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 as at June 30, 2024, December 31, 2023 and June 30, 2023 are as follows:

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Not later than one year | $20,989 | $8,991 | $8,696 |
| Later than one year but not later than two years | 20,989 | 8,991 | 8,571 |
| Later than two years but not later than three years | 21,078 | 8,991 | 8,571 |
| Later than three years but not later than four years | 22,050 | 8,991 | 8,571 |
| Later than four years but not later than five years | 16,024 | 7,467 | 8,571 |
| Later than five years | 38,070 | - | 2,971 |
| Total | $139,200 | $43,431 | $45,951 |

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

| Character \ Function | Three months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense: | | | | | | |
| Wages and salaries | $573,618 | $617,425 | $1,191,043 | $332,217 | $179,410 | $511,627 |
| Labor and health insurance | 44,698 | 26,573 | 71,271 | 29,967 | 14,559 | 44,526 |
| Pension costs | 32,958 | 17,374 | 50,332 | 19,162 | 7,676 | 26,838 |
| Other employee benefits expense | 29,139 | 35,232 | 64,371 | 17,845 | 9,845 | 27,690 |
| Depreciation | 137,335 | 26,735 | 164,070 | 91,184 | 12,040 | 103,224 |
| Amortization | 68,524 | 19,027 | 87,551 | 31,658 | 2,876 | 34,534 |

| Character \ Function | Six months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense: | | | | | | |
| Wages and salaries | $922,370 | $834,903 | $1,757,273 | $642,603 | $367,846 | $1,010,449 |
| Labor and health insurance | 78,110 | 36,804 | 114,914 | 47,967 | 24,907 | 72,874 |
| Pension costs | 57,218 | 25,219 | 82,437 | 31,615 | 11,875 | 43,490 |
| Other employee benefits expense | 41,772 | 42,106 | 83,878 | 42,854 | 17,742 | 60,596 |
| Depreciation | 232,330 | 45,704 | 278,034 | 179,019 | 25,108 | 204,127 |
| Amortization | 127,261 | 37,676 | 164,937 | 61,536 | 5,771 | 67,307 |

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 board meeting 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 June 30, 2024 to be NT$22,443 thousand and NT$11,221 thousand, respectively. The aforementioned amounts were recognized as salary expense. The Company estimated the amounts of the employees' compensation and remuneration to directors for the three months ended June 30, 2023 to be NT$13,809 thousand and NT$6,889 thousand, respectively, recognized as expense.

The Company estimated the amounts of the employees' compensation and remuneration to directors for the six months ended June 30, 2024 to be NT$37,106 thousand and NT$18,553 thousand, respectively. The aforementioned amounts were recognized as salary expense. The Company estimated the amounts of the employees' compensation and remuneration to directors for the six months ended June 30, 2023 to be NT$35,495 thousand and NT$17,732 thousand, respectively, recognized as expense.

A resolution was approved at the board meeting held on March 7, 2024 to distribute NT$61,228 thousand and NT$30,664 thousand in cash as employees' compensation and remuneration to directors for 2023. There was no difference between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2023.

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

27. Non-operating income and expenses

(1) Other revenue

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Interest income | $22,310 | $23,686 | $27,801 | $31,312 |
| Others | 10,084 | 6,709 | 11,746 | 22,288 |
| Total | $32,394 | $30,395 | $39,547 | $53,600 |

(2) Other gains and losses

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Gains and (losses) on disposal of property, plant and equipment | $8 | $(603) | $(104) | $(607) |
| Foreign exchange gains | 67,323 | 40,089 | 181,752 | 32,105 |
| Gains and (losses) on financial assets at fair value through profit or loss (Note) | 11,664 | (346,474) | 13,882 | (422,654) |
| Others | 1,526 | (4,364) | 1,585 | (4,403) |
| Total | $80,521 | $(311,352) | $197,115 | $(395,559) |

Note: 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 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 acquisition date. If the amount of contingent consideration changes subsequent to the acquisition date, gains and losses are recognized as (losses) or gain on financial assets at fair value through profit or loss. Please refer to Note VI.31 for more details.

(3) Financial costs

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Interest expenses from bank borrowings | $129,231 | $42,869 | $147,432 | $81,493 |
| Interest expenses from bonds payable | 8,403 | 668 | 16,761 | 2,724 |
| Interest expenses from lease liabilities | 4,532 | 2,980 | 8,552 | 6,008 |
| Others | 28 | 266 | 1,699 | 559 |
| Total | $142,194 | $46,783 | $174,444 | $90,784 |

28. Components of other comprehensive income ("OCI")

Three months ended June 30, 2024

| | Arising | Reclassification | before tax | Tax (Expense) | Net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income | $18,958 | $- | $18,958 | $(3,792) | $15,166 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Translation differences of foreign operations | 74,188 | - | 74,188 | (14,844) | 59,344 |
| Total comprehensive income | $93,146 | $- | $93,146 | $(18,636) | $74,510 |

Six months ended June 30, 2024

| | Arising | Reclassification | before tax | Tax (Expense) | Net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income | $18,958 | $- | $18,958 | $(3,792) | $15,166 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Translation differences of foreign operations | 154,313 | - | 154,313 | (30,847) | 123,466 |
| Total comprehensive income | $173,271 | $- | $173,271 | $(34,639) | $138,632 |

Three months ended June 30, 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 | 149,567 | - | 149,567 | (29,914) | 119,653 |
| Total comprehensive income | $149,567 | $- | $149,567 | $(29,914) | $119,653 |

Six months ended June 30, 2023

| | Arising | Reclassification | before tax | Tax income (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 | 124,480 | - | 124,480 | (24,896) | 99,584 |
| Total comprehensive income | $112,909 | $- | $112,909 | $(21,829) | $91,080 |

29. Income tax

The major components of income tax expense (income) for the three months and six months ended June 30, 2024 and 2023 are as follows:

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

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Current income tax expense (income): | | | | |
| Current income tax expense | $156,871 | $482,782 | $507,532 | $710,255 |
| Adjustments in respect of prior periods | (1,583) | 8,596 | 809 | 8,596 |
| Deferred tax expense (income): | | | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | 225,207 | (224,849) | 186,068 | (188,032) |
| Deferred tax expense (income) relating to origination and (reversal) of tax loss and tax credit | (82,307) | 51,679 | (156,342) | 186,558 |
| Total income tax expense | $298,188 | $318,208 | $538,067 | $717,377 |

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

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Deferred income tax expense (income): | | | | |
| Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income | $3,792 | $- | $3,792 | $- |
| Translation differences of foreign operations | 14,844 | 29,914 | 30,847 | 24,896 |
| Remeasurement of the defined benefit plan | - | - | - | (3,067) |
| Income tax relating to other comprehensive income | $18,636 | $29,914 | $34,639 | $21,829 |

(3) The assessment of income tax returns

As of June 30, 2024, the assessment of the income tax returns of the Company and its subsidiaries are as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2021 |
| Union Chemical & Pharmaceutical Co., Ltd. | Assessed and approved up to 2022 |
| Bora Health Inc. | Assessed and approved up to 2022 |
| Bora Pharmaceutical Laboratories Inc. | Assessed and approved up to 2022 |
| TWi Pharmaceuticals, Inc. | Assessed and approved up to 2021 (Note1) |
| Bora Pharmaceuticals Ophthalmic Inc. | Assessed and approved up to 2022 |
| Bora Biologics Co., Ltd. | Assessed and approved up to 2021 |
| Bora Pharmaceutical and Consumer Health Inc. | Assessed and approved up to 2022 |
| Bora Management Consulting Co., Ltd. | Assessed and approved up to 2022 |
| SunWay Biotech Co., LTD. | Assessed and approved up to 2022 |
| Chen Run Marketing Co., Ltd. | Assessed and approved up to 2022 |

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

30. 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 June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| (1) Basic earnings per share | | | | |
| Profit attributable to ordinary shareholders of the Company (in thousand NT$) | $1,171,815 | $692,027 | $1,887,952 | $1,731,367 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares) | 100,900 | 100,416 | 101,069 | 99,777 |
| Basic earnings per share (NT$) | $11.61 | $6.89 | $18.68 | $17.35 |

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| (2) Diluted earnings per share | | | | |
| Profit attributable to ordinary shareholders of the Company (in thousand NT$) | $1,171,815 | $692,027 | $1,887,952 | $1,731,367 |
| Interest expense from convertible bonds (in thousand NT$) | 6,723 | 534 | 13,409 | 2,179 |
| Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$) | $1,178,538 | $692,561 | $1,901,361 | $1,733,546 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares) | 100,900 | 100,416 | 101,069 | 99,777 |
| Effect of dilution: | | | | |
| Employee compensation-stock (in thousand shares) | 45 | 46 | 75 | 68 |
| Employee stock options (in thousand shares) | 1,032 | 984 | 1,032 | 984 |
| Bonds payable (in thousand shares) | 2,732 | 255 | 2,732 | 996 |
| Weighted average number of ordinary shares outstanding after dilution (in thousand shares) | 104,709 | 101,701 | 104,908 | 101,825 |
| Diluted earnings per share (NT$) | $11.26 | $6.81 | $18.12 | $17.02 |

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.

31. Business combinations

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 4th floor, 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 purchase included a holdback of US$28,250 thousand and contingent considerations. As of June 30, 2024, US$21,000 thousand was paid and outstanding balance of US$7,250 thousand (NT$235,263 thousand, approximately) was recognized as other payables.

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 to the acquisition date, the performance of TWi Group was better than the estimated performance at the acquisition date. As of June 30, 2024, the Company paid earn-out consideration for 2021 and 2022 totaled US$71,922 thousand (NT$2,286,395 thousand, approximately). The contingent considerations for 2024 was mutually agreed by both parties in an amount of US$16,000 thousand (NT$519,200 thousand approximately) and was recognized as other payables. This amount was fully paid in July 2024. Please refer to Note XII. 9 for the fair value reconciliation of contingent considerations.

Acquisition of SunWay Biotech Co., LTD. and its subsidiaries (the "Sunway Group")

In order to enhance the efficiency of research and development and expand the portfolio of health care products, the Company's board of directors resolved on August 21, 2023, to acquire 25,415 thousand shares (35.79% of equity interests, approximately) of SunWay Biotech Co., LTD. in exchange for all the Company's equity interest of Bora Health Inc. Upon the completion of share conversion effective on November 1, 2023, the Company became the single largest shareholder of SunWay Biotech Co., LTD. This transaction accounts for a reverse acquisition according to IFRS 3 "*Business Combination*". For the acquisition, SunWay Biotech Co., LTD. is a legal acquirer (accounting acquiree) while Bora Health Inc. is the legal acquiree (accounting acquirer).

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

| | Fair value recognized at the acquisition date (Provisional amount) |
|---|---|
| Asset: | |
| Cash and cash equivalents | $288,423 |
| Financial assets at amortized cost - current | 4,800 |
| Accounts receivable and accounts receivable - related parties | 48,014 |
| Inventories | 84,817 |
| Prepayments | 6,123 |
| Other current assets - current | 327 |
| Financial assets measured at fair value through other comprehensive income, non-current | 7,758 |
| Property, plant and equipment | 43,280 |
| Right-of-use assets | 264,788 |
| Intangible assets | 574,472 |
| Prepayment for equipment | 70,783 |
| Other non-current assets | 15,772 |
| Subtotal | 1,409,357 |
| | |
| Liabilities | |
| Contract liabilities | $660 |
| Notes payable and accounts payable | 14,734 |
| Other payables | 26,904 |
| Income tax payable | 15,845 |
| Other current liabilities - current | 6,762 |
| Lease liabilities - non-current | 270,890 |
| Other non-current liabilities | 4,885 |
| Subtotal | 340,680 |
| Identifiable net assets | $1,068,677 |

| | |
|---|---|
| Goodwill is as follows: | |
| Acquisition considerations – equity instrument | $2,863,379 |
| Non-controlling interests | 3,101 |
| Less: identifiable net assets at fair value | (1,068,677) |
| Goodwill | $1,797,803 |

Intangible assets include distribution rights, outstanding contracts, and software amortized over the estimated economic lives.

The Group has engaged an independent third party professional for the valuation of the identified net assets. As of June 30, 2024, the Group reported the fair value of the identified net assets at a provisional amounts as the 3rd party report was incomplete as of the approval date for the Group's consolidated financial statements for the six months ended June 30, 2024.

Acquisition of Upsher-Smith Laboratories, LLC

In order to significantly enhance CDMO business competitiveness and develop generic businesses via specialty distribution channel, the Company acquired 100% equity interest of Sawai America Holdings Inc. and 20% interest in Sawai America LLC on April 2, 2024 (April 1, 2024, Eastern time) and ultimately, obtaining 100% ownership of Upsher-Smith Laboratories, LLC (the "USL").

The fair values of the identifiable assets and liabilities of Sawai America Holdings Inc., Sawai America LLC, and its subsidiaries at the acquisition date were as follows:

| | Fair value recognized at the acquisition date (Provisional amount) |
|---|---|
| Asset: | |
| Cash and cash equivalents | $381,350 |
| Contract assets | 153,940 |
| Accounts receivable | 4,110,930 |
| Other receivables | 421,782 |
| Inventories | 2,559,103 |
| Prepayments | 277,720 |
| Financial assets measured at fair value through profit or loss, non-current | 315,155 |
| Financial assets measured at fair value through other comprehensive income, non-current | 159,203 |
| Property, plant and equipment | 3,596,284 |
| Right-of-use assets | 52,031 |
| Intangible assets | 398,084 |
| Other non-current assets | 2,686 |
| Subtotal | 12,428,268 |
| | |
| Liabilities | |
| Accounts payable | 942,148 |
| Other payables | 1,418,268 |
| Income tax payable | 8,790 |
| Refund liabilities | 2,015,856 |
| Provisions | 158,489 |
| Other current liabilities - current | 179,940 |
| Lease liabilities | 52,611 |
| Other non-current liabilities | 161,468 |
| Subtotal | 4,937,570 |
| Identifiable net assets | $7,490,698 |

| | |
|---|---|
| Bargain purchase gain is as follows: | |
| Acquisition considerations | $6,691,993 |
| Less: identifiable net assets at fair value | (7,490,698) |
| Bargain purchase gain | $(798,705) |

Acquisition considerations

| | |
|---|---|
| Cash | $ 6,570,644 |
| Other receivables | (482,615) |
| Other payables | 284,164 |
| Contingent consideration | 319,800 |
| Total consideration | $ 6,691,993 |

| | |
|---|---|
| Analysis of cash flows on acquisition: | |
| Cash | $(6,691,993) |
| Other receivables | (482,615) |
| Other payables | 284,164 |
| Contingent consideration | 319,800 |
| Net cash acquired through acquisition | 381,350 |
| Net cash flow on acquisition | $ (6,189,294) |

The fair value of the accounts receivable amounted to NT$4,110,930 thousand in which no impairment incurred and a full collection amount was expected. Intangible assets, including drug licenses and product distribution, were amortized on a straight-line basis over the estimated economic lives.

Contingent Considerations

As part of the share purchase agreement, Bora Pharmaceutical Holdings, Inc. shall make an additional purchase cash payment to Sawai Group Holdings Co., Ltd. and Sumitomo Corporation of Americans after the first anniversary of the acquisition date, in the event that the agreed target revenue of specific products has reached US$60,700 thousand for the 12 months following the acquisition date.

The estimation of contingent consideration was based on the achievement of the operating performance of the agreed target business for the 12 months after April 1, 2024. As of June 30, 2024, the estimated fair value of the contingent consideration was US$10,000 thousand (approximately NT$324,500 thousand) and recognized as financial liabilities measured at fair value through profit or loss, current.

The Group has engaged an independent 3rd party professional for the valuation of the identified net assets. As of June 30, 2024, the Group reported the fair value of the identified net assets at provisional amounts as the appraisal report was not completed as of the approval date for the Group’s consolidated financial statements for the six months ended June 30, 2024.

As the fiscal year of the acquiree company was inconsistent with that of the Group, it is not possible to reasonably estimate the effects on the Group's revenue and net profit from continuing operations had the acquisition taken place during the period from the beginning of the year to the acquisition date.

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 (NOTE 1) |
| 3T Technology Co., Ltd. | Substantive related party (NOTE 2) |
| Taiwan Television Technology Co., Ltd. (the "TW TV") | Substantive related party (NOTE 2) |
| GTSW Biotech Sdn. Bhd. (the "GTSW") | Associate |

NOTE 1: Hoan Pharmaceuticals, Ltd. was no longer a substantive related party since November 2023. Therefore, the Group only disclosed the transactions with Hoan Pharmaceuticals, Ltd. occurred before November 1, 2023.

NOTE 2: The Group completed the acquisition of SunWay Biotech Co., LTD. on November 1, 2023. Since then, SunWay Biotech Co., LTD. and its subsidiaries have been included in the consolidated financial statements and TW TV became the Group's substantive related party. Therefore, the Group only disclosed the transactions with 3T Technology Co., Ltd. after November 1, 2023.

Significant transactions with the related parties

1. Operating revenue

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Hoan Pharmaceuticals, Ltd. | $- | $9,394 | $- | $19,592 |
| 3T Technology Co., Ltd. | 65,645 | - | 133,544 | - |
| GTSW | 298 | - | 298 | - |
| Total | $65,943 | $9,394 | $133,842 | $19,592 |

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

2. Purchases

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Hoan Pharmaceuticals, Ltd. | $- | $18,432 | $- | $35,068 |

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, net

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $- | $- | $13,202 |
| 3T Technology Co., Ltd. | 68,928 | 68,290 | - |
| GTSW | 298 | - | - |
| Less: loss allowance | - | - | - |
| Net | $69,226 | $68,290 | $13,202 |

4. Accounts payable, net

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $- | $- | $21,256 |

5. Other receivable, net

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $- | $- | $56 |

6. Other payables-related party

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $- | $- | $1,266 |

7. Dividend payable

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| TW TV | $259 | $- | $- |

8. Sales and marketing expenses

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Hoan Pharmaceuticals, Ltd. | $- | $3,780 | $- | $7,014 |

9. Key management personnel compensation

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Short-term employee benefits | $8,503 | $34,640 | $73,326 | $51,438 |
| Post-employment benefits | 135 | 99 | 270 | 180 |
| Total | $8,638 | $34,739 | $73,596 | $51,618 |

VIII. Assets Pledged as Security

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

| Items | Carrying amount June 30, 2024 | December 31, 2023 | June 30, 2023 | Secured liabilities |
|---|---|---|---|---|
| Financial assets measured at amortized cost | $1,709,013 | $21,176 | $186,434 | Customs deposit; guarantee bond with Science Park Administration and bank; short-term loans and long-term loans; interest reserved account |
| Property, plant and equipment - land | 3,565,298 | 3,178,190 | 3,189,390 | Short-term loans and long-term loans |
| Property, plant and equipment - buildings | 2,751,948 | 900,088 | 887,152 | Short-term loans and long-term loans |
| Investment properties | 16,714 | 17,018 | 17,332 | Long-term loans |
| Refundable Deposits | 120,875 | - | - | Lodged at Courts |
| Total | $8,163,848 | $4,116,472 | $4,280,298 | |

Except for the pledged assets above, the Group also pledged the shares of TWi Pharmaceuticals, Inc., Bora Pharmaceutical Holdings, Inc. and Upsher-Smith Laboratories, LLC.

IX. Significant Contingencies and Unrecognized Contractual Commitments

None.

X. Losses due to Major Disasters

None.

XI. Significant Subsequent Events

1. On May 27, 2024, the Company's Board of Directors resolved to issue its first five-year overseas unsecured convertible bonds with an expected maximum issuance amount of US$200,000 thousand at 0% coupon rate. The issuance has been submitted and became effective as of July 9, 2024, the FSC's Order No. Financial-Supervisory-Securities-Corporate 1130348225 dated.

2. To accelerate the expansion of CDMO business for sterile fill/finish services in North America, the Company, through its subsidiary Bora Pharmaceuticals Injectables Inc., has entered into an argument with Cangene bioPharma, LLC to acquire the CDMO operating assets located in Maryland, USA. The asset purchase price was US$30,000 thousand (approximately NT$969,300 thousand). The ownership will be transferred in the third quarter of 2024.

3. On April 12, 2024, the Company's Board of Directors resolved to acquire all of the equity interests of Bora Biologics Co., Ltd. with the consideration of issuing 1,657,656 common shares. This share swap transaction was completed on July 26, 2024.

## XII. Financial Instruments

1. Categories of financial instruments

Financial assets

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss: | | | |
| Mandatorily measured at fair value through profit or loss | $112,884 | $- | $1,421 |
| Financial assets measured at fair value through other comprehensive income | 208,258 | 7,758 | - |
| Financial assets measured at amortized cost: | | | |
| Cash and cash equivalents (exclude cash on hand) | 5,508,487 | 3,052,260 | 4,203,931 |
| Financial assets measured at amortized cost | 2,065,309 | 356,127 | 186,734 |
| Notes receivables | 32,443 | 54,323 | 25,877 |
| Accounts receivable | 9,551,188 | 3,958,874 | 3,347,299 |
| Other receivables | 916,660 | 82,614 | 85,823 |
| Refundable deposits | 169,149 | 44,111 | 32,375 |
| Subtotal | 18,243,236 | 7,548,309 | 7,882,039 |
| Total | $18,564,378 | $7,556,067 | $7,883,460 |

Financial liabilities

| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Financial liabilities measured at amortized cost: | | | |
| Short-term loans | $7,776,718 | $767,508 | $1,949,477 |
| Accounts and other payables (including amount recognized in other non-current liabilities) | 5,305,146 | 2,129,814 | 2,506,200 |
| Bonds payable | 1,555,114 | 1,538,361 | 112,280 |
| Long-term loans (including current portion) | 8,404,219 | 1,815,762 | 3,861,588 |
| Lease liabilities | 874,379 | 869,372 | 638,101 |
| Deposits received | 4,497 | 66,144 | 66,785 |
| Subtotal | 23,920,073 | 7,186,961 | 9,134,431 |
| Financial liabilities at fair value through profit or loss: | | | |
| Held for trading | 292 | 9,009 | - |
| Contingent considerations from business combinations | 324,500 | 1,935,436 | 1,286,128 |
| Subtotal | 324,792 | 1,944,445 | 1,286,128 |
| Total | $24,244,865 | $9,131,406 | $10,420,559 |

2. Financial risk management objectives and policies

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

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

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise 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 six months ended June 30, 2024 and 2023 will be decreased/increased by NT$46,834 thousand and NT$16,351 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 six months ended June 30, 2024 and 2023 to decrease by NT$11,233 thousand and NT$2,245 thousand, respectively.

If all other factors remain, while the interest rate declines, the impact on profit and loss performance for the six months ended June 30, 2024 and 2023 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 counterparties based on their financial position, ratings from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counterparties' credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment or insurance.

As of June 30, 2024, December 31, 2023 and June 30, 2023, accounts receivable from top ten customers represented 89%, 90% and 92% 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 related to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

| | <= 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| June 30, 2024 | | | | | |
| Borrowings | $9,466,235 | $4,297,692 | $3,148,295 | $256,285 | $17,168,507 |
| Accounts and other payables | 5,301,836 | 3,310 | - | - | 5,305,146 |
| Convertible bonds | - | - | 1,699,700 | - | 1,699,700 |
| Lease liabilities (Note) | 113,320 | 187,517 | 109,284 | 596,077 | 1,006,198 |

| | <= 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| December 31, 2023 | | | | | |
| Borrowings | $1,446,804 | $878,394 | $112,747 | $277,753 | $2,715,698 |
| Accounts and other payables | 1,907,203 | 225,889 | - | - | 2,133,092 |
| Convertible bonds | - | - | 1,699,800 | - | 1,699,800 |
| Lease liabilities (Note) | 112,489 | 184,928 | 119,527 | 586,674 | 1,003,618 |

| | <= 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| June 30, 2023 | | | | | |
| Borrowings | $4,270,892 | $1,295,600 | $137,194 | $300,899 | $6,004,585 |
| Accounts and other payables | 2,280,435 | 225,765 | - | - | 2,506,200 |
| Convertible bonds | - | - | 122,500 | - | 122,500 |
| Lease liabilities (Note) | 81,781 | 157,207 | 105,536 | 389,024 | 733,548 |

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

| | Maturities | | | | | |
|---|---|---|---|---|---|---|
| | Less than 5 year | 5 to 10 years | 11 to 15 years | 16 to 20 years | >21 years | Total |
| June 30, 2024 | $410,121 | $236,862 | $210,448 | $68,944 | $79,823 | $1,006,198 |
| December 31, 2023 | $416,944 | $206,582 | $210,058 | $84,071 | $85,963 | $1,003,618 |
| June 30, 2023 | $344,524 | $112,251 | $112,251 | $72,419 | $92,103 | $733,548 |

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six months ended June 30, 2024:

| | Short-term loans | Long-term loans | Leases liabilities | Bonds Payable | Total liabilities from financing activities |
|---|---|---|---|---|---|
| January 1, 2024 | $767,508 | $1,815,762 | $869,372 | $1,538,361 | $4,991,003 |
| Cash flows | 6,925,795 | 6,547,740 | (49,214) | - | 13,424,321 |
| Non-cash changes | | | | | |
| Acquisitions | - | - | 52,611 | - | 52,611 |
| Conversion | - | - | - | (9) | (9) |
| Others | 83,415 | 40,717 | 1,610 | 16,762 | 142,504 |
| June 30, 2024 | $7,776,718 | $8,404,219 | $874,379 | $1,555,114 | $18,610,430 |

Reconciliation of liabilities for the six months ended June 30, 2023:

| | Short-term loans | Long-term loans | Leases liabilities | Bonds Payable | Total liabilities from financing activities |
|---|---|---|---|---|---|
| January 1, 2023 | $2,161,065 | $4,120,101 | $672,186 | $642,363 | $7,595,715 |
| Cash flows | (211,666) | (270,136) | (35,187) | - | (516,989) |
| Non-cash changes | | | | | |
| Conversion | - | - | - | (532,807) | (532,807) |
| Others | 78 | 11,623 | 1,102 | 2,724 | 15,527 |
| June 30, 2023 | $1,949,477 | $3,861,588 | $638,101 | $112,280 | $6,561,446 |

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 Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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

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

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

| | Carrying amount as of | | |
|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
| Financial liabilities: | | | |
| Bonds payable | $1,555,114 | $1,538,361 | $112,280 |

| | Fair value as of | | |
|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | June 30, 2023 |
| Financial liabilities: | | | |
| Bonds payable | $1,548,597 | $1,538,829 | $115,138 |

(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 June 30, 2024, December 31, 2023 and June 30, 2023 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 June 30, 2024 | | |
| Forward currency contract | Sell USD 2,000 thousand | From May 30, 2024 to July 1, 2024 |

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:

June 30, 2024:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Stock | $- | $- | $20,275 | $20,275 |
| Cash surrender value of life insurance | - | 91,249 | - | 91,249 |
| Embedded derivatives | - | - | 1,360 | 1,360 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Equity instruments measured at fair value through other comprehensive income | - | - | 208,258 | 208,258 |
| Total | $- | $91,249 | $229,893 | $321,142 |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss: | | | | |
| Forward currency contract | $- | $292 | $- | $292 |
| Contingent considerations from business combinations | - | - | 324,500 | 324,500 |
| Total | $- | $292 | $324,500 | $324,792 |

December 31, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Equity instruments measured at fair value through other comprehensive income | $- | $- | $7,758 | $7,758 |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss: | | | | |
| Embedded derivatives | $- | $- | $9,009 | $9,009 |
| Contingent considerations from business combinations | - | - | 1,935,436 | 1,935,436 |
| Total | $- | $- | $1,944,445 | $1,944,445 |

June 30, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Embedded derivatives | $- | $- | $1,421 | $1,421 |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss: | | | | |
| Contingent considerations from business combinations | $- | $- | $1,286,128 | $1,286,128 |

Transfers between Level 1 and Level 2 during the period

During the three months ended June 30, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

The detail movement of recurring fair value measurements in Level 3:

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

For the period from January 1, 2024 to June 30, 2024:

| | Financial assets (liabilities) Measured at fair value through profit or loss | | |
|---|---|---|---|
| | Embedded Derivatives | Contingent considerations | Stock |
| As of January 1, 2024 | $(9,009) | $(1,935,436) | $- |
| Acquisition/issues | - | (319,800) | 20,275 |
| Disposal/settlements/transfer out | | 2,034,911 | - |
| Gains (losses) recognized in profit or loss: | | | |
| (presented in "Gain and (loss) on financial assets or liabilities measured at fair value through profit or loss") | 10,369 | 13,769 | - |
| Exchange differences | - | (117,944) | - |
| As of June 30, 2024 | $1,360 | $(324,500) | $20,275 |

| | Financial assets (liabilities) Measured at fair value through other comprehensive income |
|---|---|
| | Stock |
| As of January 1, 2024 | $7,758 |
| Acquisition/issues | 179,203 |
| Gains (losses) recognized in profit or loss: | |
| (presented in "Unrealized gains or (losses) from investments in equity instruments measured at fair value through other comprehensive income") | 18,958 |
| Exchange differences | 2,339 |
| As of June 30, 2024 | $208,258 |

For the period from January 1, 2023 to June 30, 2023:

| | Financial asset(liabilities) Measured at fair value through profit or loss | |
|---|---|---|
| | Embedded Derivatives | Contingent considerations |
| As of January 1, 2023 | $2,336 | $(1,623,181) |
| Acquisition/issues | - | 770,684 |
| Gains (losses) recognized in profit or loss: | | |
| (presented in "Gain and (loss) on financial assets or liabilities measured at fair value through profit or loss") | (915) | (422,226) |
| Exchange differences | - | (11,405) |
| As of June 30, 2023 | $1,421 | $(1,286,128) |

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:

June 30, 2024:

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| At fair value through profit or loss: | | | | | |
| Stocks | Market approach | discount for lack of marketability | 40% | 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 an increase by NT$4,647 thousand or a decrease by NT$4,786 thousand in the Group's profit or loss. |
| Embedded derivatives | Binomial tree pricing method for convertible bond | Volatility | 42.35% | 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$340 thousand or a decrease by NT$340 thousand in the Group's profit or loss. |
| 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$42 thousand |
| Stocks | Market approach | discount for lack of marketability | 34.16% | 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$410 thousand |

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Stocks | Market approach | discount for lack of marketability | 40% | The higher the price-book ratio of comparable company, the higher the fair value of the stocks | 10% increase (decrease) in the price-book ratio of comparable company would result in increase (decrease) in the Group's equity by NT$390 thousand |
| Stocks | Market approach | discount for lack of marketability | 15.80% | The higher the price-book ratio of comparable company, the higher the fair value of the stocks | 10% increase (decrease) in the price-book ratio of comparable company would result in increase (decrease) in the Group's equity by NT$18,856 thousand |

December 31, 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) by NT$47 thousand in the Group's equity |
| Stocks | Market approach | discount for lack of marketability | 34.16% | 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) by NT$410 thousand in the Group's equity |
| Financial liabilities: | | | | | |
| At fair value through profit or loss | | | | | |
| Embedded derivatives | Binomial tree pricing method for convertible bond | Volatility | 50.90% | 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 an decrease by NT$510 in the Group's profit or loss |

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| 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$3,080 thousand or an increase of NT$3,135 thousand in the Group’s profit or loss |

June 30, 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$51 thousand |
| At fair value through profit or loss | | | | | |
| Embedded derivatives | Binomial tree pricing method for convertible bond | Volatility | 61.19% | 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$123 thousand or an decrease by NT$0 in the Group’s profit or loss |
| Financial liabilities: | | | | | |
| At fair value through 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 an decrease of NT$12,570 thousand or an increase of NT$12,828 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

June 30, 2024:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $53,094 | $53,094 |

December 31, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $53,094 | $53,094 |

June 30, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $54,405 | $54,405 |

10. Significant assets and liabilities denominated in foreign currencies

Unit: thousands

| | June 30, 2024 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $186,083 | 32.45 | $6,038,393 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $41,756 | 32.45 | $1,354,982 |

Unit: thousands

| | December 31, 2023 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $165,379 | 30.71 | $5,078,789 |
| | | | |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $97,156 | 30.71 | $2,983,661 |

Unit: thousands

| | June 30, 2023 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $123,483 | 31.14 | $3,845,261 |
| | | | |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $70,974 | 31.14 | $2,210,130 |

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 Table 2.
   (b) Endorsement/Guarantee provided to others: Please refer to Table 3.
   (c) Securities held as of June 30, 2024: Please refer to Table 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 six months ended June 30, 2024: Please refer to Table 5.
   (e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the six months ended June 30, 2024: 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 six months ended June 30, 2024: 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 six months ended June 30, 2024: Please refer to Table 6.
(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of June 30, 2024: Please refer to Table 7.
(i) Financial instruments and derivative transactions: Please refer to Note VI.15
(j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Table 1.

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

3. Investment in Mainland China: Please refer to Table 8.
4. Information on major shareholders: Please refer to Table 9.

XIV. Segment information

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

Sales segment: selling pharmaceuticals, generic, and healthcare products.
CDMO segment: contract development and 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 June 30, 2024

| | Sales segment | CDMO segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $3,639,451 | $1,385,984 | $1,876 | $- | $5,027,311 |
| Inter-segment (Note) | 1,423,181 | 125,218 | 216,782 | (1,765,181) | - |
| Total revenue | $5,062,632 | $1,511,202 | $218,658 | $(1,765,181) | $5,027,311 |
| Segment profit | $1,357,747 | $372,948 | $(197,307) | $(21,577) | $1,511,811 |

Six months ended June 30, 2024

| | Sales segment | CDMO segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $5,250,295 | $2,630,451 | $4,058 | $- | $7,884,804 |
| Inter-segment (Note) | 1,446,377 | 326,405 | 353,834 | (2,126,616) | - |
| Total revenue | $6,696,672 | $2,956,856 | $357,892 | $(2,126,616) | $7,884,804 |
| Segment profit | $2,206,305 | $623,899 | $(288,500) | $(46,353) | $2,495,351 |

Three months ended June 30, 2023

| | Sales segment | CDMO segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $1,961,664 | $1,175,282 | $1,619 | $- | $3,138,565 |
| Inter-segment (Note) | 5,996 | 107,555 | 68,027 | (181,578) | - |
| Total revenue | $1,967,660 | $1,282,837 | $69,646 | $(181,578) | $3,138,565 |
| Segment profit | $1,260,930 | $196,583 | $(448,040) | $9,564 | $1,019,037 |

Six months ended June 30, 2023

| | Sales segment | CDMO segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $5,498,742 | $2,416,660 | $3,695 | $- | $7,919,097 |
| Inter-segment (Note) | 14,391 | 173,832 | 110,662 | (298,885) | - |
| Total revenue | $5,513,133 | $2,590,492 | $114,357 | $(298,885) | $7,919,097 |
| Segment profit | $2,599,425 | $482,414 | $(606,355) | $(14,011) | $2,461,473 |

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

Table 1

Significant inter-company transactions during the period

For the six months ended June 30, 2024

| 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 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Laboratories Inc. | 1 | Operating revenue | 196,406 | 60 days from the date of invoice | 2.49% |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Services Inc. | 1 | Operating revenue | 157,427 | 60 days from the date of invoice | 2.00% |
| 1 | Bora Pharmaceuticals USA Inc. | Bora Pharmaceutical Services Inc. | 3 | Other revenue | 83,555 | Net 30 days | 1.06% |
| 1 | Bora Pharmaceuticals USA Inc. | Bora Pharmaceutical Holdings, Inc. | 3 | Other receivables | 1,650,816 | Note 4 | 3.81% |
| 2 | TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | 3 | Accounts receivable | 3,113,697 | 120 days from the date of invoice | 7.18% |
| 2 | TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | 3 | Operating revenue | 2,451,034 | 120 days from the date of invoice | 31.09% |
| 3 | TWi Pharmaceuticals USA, Inc. | Upsher-Smith Laboratories, LLC. | 3 | Accounts receivable | 1,414,438 | Net 120 days | 3.26% |
| 3 | TWi Pharmaceuticals USA, Inc. | Upsher-Smith Laboratories, LLC. | 3 | Operating revenue | 1,390,517 | Net 120 days | 17.64% |
| 4 | Bora Pharmaceutical Laboratories Inc. | TWi Pharmaceuticals, Inc. | 3 | Operating revenue | 248,925 | 60 days from the date of invoice | 3.15% |

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: Loans to subsidiaries; no related similar transactions can be followed, the transaction terms are agreed by both parties.

Table 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 | | |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Holdings, Inc. | Other receivables-related parties | Yes | $1,692,340 | $- | $- | 7.0% | 2 | $- | Need for operation | $- | None | $- | $3,830,356 | $4,787,945 |
| 1 | Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Ophthalmic Inc. | Other receivables-related parties | Yes | $150,000 | $150,000 | $150,000 | 2.5% | 2 | $- | Need for operation | $- | None | $- | $895,253 | $1,119,066 |
| 2 | Bora Pharmaceuticals USA Inc. | Bora Pharmaceutical Holdings, Inc. | Other receivables-related parties | Yes | $1,627,250 | $1,622,500 | $1,622,500 | 7.0% | 2 | $- | Need for operation | $- | None | $- | $9,041,317 | $9,041,317 |
| 3 | Bora Pharmaceutical Holdings, Inc. | Upsher-Smith Laboratories, LLC. | Other receivables-related parties | Yes | $2,278,150 | $- | $- | 7.0% | 2 | $- | Need for operation | $- | None | $- | $5,603,130 | $5,603,130 |

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:
(i) limit on loans granted to a single party shall not exceed 40% of the Company's net assets value as of the period.
(ii) limit on loans granted to a single party shall not exceed 40% of the net assets value of Bora Pharmaceutical Laboratories Inc. as of the period.
(iii) limit on loans granted to a single party shall not exceed 200% of the net assets value of Bora Pharmaceuticals USA Inc. as of the period.
(iv) limit on loans granted to a single party shall not exceed 200% of the net assets value of Bora Pharmaceutical Holdings, Inc. 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 Bora Pharmaceutical Laboratories Inc. to all parties shall not exceed 50% of the net asset value of Bora Pharmaceutical Laboratories Inc.
(3) The ceiling on total loans granted by Bora Pharmaceuticals USA Inc. to all parties shall not exceed 200% of the net asset value of Bora Pharmaceuticals USA Inc.
(4) The ceiling on total loans granted by Bora Pharmaceutical Holdings, Inc. to all parties shall not exceed 200% of the net asset value of Bora Pharmaceutical Holdings, Inc.

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 represents the accumulated business transactions between the lender and the counterparty during the past 12 months.

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

Table 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 Pharmaceutical Holdings, Inc. | 2 | $47,879,450 | $4,283,400 | $4,283,400 | $4,283,400 | $- | 44.73% | $47,879,450 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Upsher-Smith Laboratories, LLC. | 2 | $47,879,450 | $2,278,150 | $2,271,500 | $2,271,500 | $- | 23.72% | $47,879,450 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceuticals Injectables Inc. | 2 | $47,879,450 | $1,298,000 | $1,298,000 | $1,298,000 | $- | 13.55% | $47,879,450 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Biologics Co., Ltd. | 2 | $47,879,450 | $240,000 | $240,000 | $- | $- | 2.51% | $47,879,450 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Services Inc. | 2 | $47,879,450 | $2,852,400 | $2,840,400 | $2,840,400 | $- | 29.66% | $47,879,450 | Y | N | N |
| 1 | Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Ophthalmic Inc. | 4 | $22,381,319 | $260,000 | $260,000 | $260,000 | $- | 11.62% | $22,381,319 | 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 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 Bora Pharmaceuticals Laboratories Inc. is 10 times of its net worth.

Table 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 June 30, 2024 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units (thousand) | Carrying amount | Percentage of ownership | Fair value | |
| Bora Pharmaceuticals Co., Ltd. | Non-listed stock－Taifong Venture Capital Co. | None | Financial assets at fair value through other comprehensive income, non-current | 490,000 | $- (Note 2) | 19.69% | $- | No pledged or collateral |
| Bora Pharmaceuticals Co., Ltd. | Non-listed stock－Creative Life Science Co., Ltd. | None | Financial asset at fair value through profit or loss, current | 467,000 | $20,275 | 2.20% | $20,275 | No pledged or collateral |
| TWi Pharmaceuticals, Inc. | Non-listed stock－BIONET Therapeutics Corp. | None | Financial assets at fair value through other comprehensive income, non-current | 1,000,000 | $38,958 | 1.68% | $38,958 | No pledged or collateral |
| SunWay Biotech Co., LTD. | Preferred stock－CMC Pharma Solutions Group, Inc. | None | Financial assets at fair value through other comprehensive income, non-current | 1,200 | $7,758 | 7.00% | $7,758 | No pledged or collateral |
| Upsher-Smith Laboratories, LLC. | Non-listed stock－APPCO Pharma LLC | None | Financial assets at fair value through other comprehensive income, non-current | 2,791,791.79 | $161,542 | 6.89% | $161,542 | 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 was NT$0 since accumulated unrealized valuation loss of financial assets measured at fair value through other comprehensive income was NT$4,900 thousand.

Table 5

Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock of the Company as at the end of the reporting period.

| Company Name | Name of the securities | Financial statement account | Counter-party | Nature of Relationship | Beginning balance | | Addition | | Disposal | | | | Ending balance | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Amount (thousand) | Shares | Amount (thousand) | Shares | Amount | Cost | Gain (Loss) from disposal | Shares | Amount (thousand) | |
| Bora Pharmaceutical Holdings, Inc. | Upsher-Smith Holdings Inc. | Investments accounted for using equity method | Sawai Group Holdings Co., Ltd. | Third party | - | $- | 230 | USD 167,355 | - | $- | $- | $- | 230 | USD 167,355 | - |
| Bora Pharmaceutical Holdings, Inc. | Upsher-Smith America LLC | Investments accounted for using equity method | Sumitomo Corporation of Americas | Third party | - | $- | 1 | USD 41,839 | - | $- | $- | $- | 1 | USD 41,839 | - |

Table 6

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. | Subsidiary | Sales | $196,406 | 37.85% | 60 days from the date of invoice | Unit price and terms were not significantly different from transactions with third parties | | Accounts receivable $157,697 | 58.72% | - |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Services Inc. | Subsidiary | Sales | $157,427 | 30.33% | 60 days from the date of invoice | Unit price and terms were not significantly different from transactions with third parties | | Accounts receivable $28,469 | 10.60% | - |
| Bora Pharmaceutical Laboratories Inc. | TWi Pharmaceuticals, Inc. | Subsidiary | Sales | $248,925 | 35.22% | 60 days from the date of invoice | Unit price and terms were not significantly different from transactions with third parties | | Accounts receivable $76,420 | 34.98% | - |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | Subsidiary | Sales | $2,451,034 | 98.45% | 120 days from the date of invoice | Unit price and terms were not significantly different from transactions with third parties | | Accounts receivable $3,113,697 | 99.80% | - |
| TWi Pharmaceuticals USA Inc. | Upsher-Smith Laboratories, LLC. | Subsidiary | Sales | $1,390,517 | 14.13% | Net 120 days | Unit price and terms were not significantly different from transactions with third parties | | Accounts receivable $1,414,438 | 34.32% | - |
| SunWay Biotech Co., LTD. | 3T TECHNOLOGY CO., LTD. | Substantive related party | Sales | $133,544 | 85.91% | Net 60 days | Unit price and terms were not significantly different from transactions with third parties | | Accounts receivable $68,928 | 92.03% | - |

Table 7

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、2) | Turnover Rate | Overdue | | Amount received in subsequent period | Allowance for doubtful debts | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action | | | |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Laboratories Inc. | Subsidiary | Other receivables $353,136 | Note 1 | Note 1 | Note 1 | $- | $- | Note 1 |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Laboratories Inc. | Subsidiary | Accounts receivable $157,697 | 1.77 | $- | - | $112,157 | $- | - |
| Bora Pharmaceuticals Co., Ltd. | TWi Pharmaceuticals, Inc. | Subsidiary | Other receivables $150,544 | Note 2 | Note 2 | Note 2 | $- | $- | Note 2 |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Ophthalmic Inc. | Subsidiary | Other receivables $152,916 | Note 3 | Note 3 | Note 3 | $- | $- | Note 3 |
| Bora Pharmaceuticals USA Inc. | Bora Pharmaceutical Holdings, Inc. | Subsidiary | Other receivables $1,650,816 | Note 3 | Note 3 | Note 3 | $- | $- | Note 3 |
| TWi Pharmaceuticals USA ,Inc. | Upsher-Smith Laboratories, LLC. | Subsidiary | Accounts receivable $1,414,438 | 1.97 | $- | - | $- | $- | - |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | Subsidiary | Accounts receivable $3,113,697 | 0.73 | $2,059,678 | Collected in subsequent reporting period | $224,782 | $- | - |

Note 1: Dividends payable of subsidiary, not applicable.

Note 2: Receivable of the remuneration due to acting as director of the subsidiary, not applicable.

Note 3: Loans to subsidiaries, not applicable.

Table 8

Information on investees

| Investor | Investee company | Location | Main businesses | Initial investment amount | | Balance as of June 30, 2024 | | | Net income (loss) of investee | Investment income (loss) recognized | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Shares | Percentage of ownership | Carrying amount | | | |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Laboratories Inc. | Miaoli County, Taiwan | Pharmaceutical contract development and manufacturing | $1,156,810 | $1,156,810 | 165,000,000 | 100% | $2,154,956 | $222,392 | $222,392 | - |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceuticals USA Inc. | State of Delaware, USA | Pharmaceutical wholesale | USD 114,000 | USD 2,000 | 500,000 | 100% | $4,520,659 | $796,339 | $796,339 | - |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Services Inc. | Province of Ontario, Canada | Pharmaceutical contract development and manufacturing | CAD 10,000 | CAD 10,000 | 100,000,000 | 50% | $1,565,483 | $230,380 | $115,190 | - |
| Bora Pharmaceuticals Co., Ltd. | Bora Management Consulting Co., Ltd. | Taipei City, Taiwan | Management and consulting | $1,000 | $1,000 | 100,000 | 100% | $4,383 | $(6) | $(6) | |
| Bora Pharmaceuticals Co., Ltd. | 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 | 62.61% | $1,245,753 | $66,157 | $42,060 | - |
| Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical and Consumer Health Inc. | Taipei City, Taiwan | Biotechnical research and management and consulting | $400 | $100 | 40,000 | 100% | $206 | $(53) | $(53) | - |
| Bora Pharmaceuticals Co., Ltd. | TWi Pharmaceuticals, Inc. | Taipei City, Taiwan | Pharmaceutical manufacturing and wholesale | $5,676,416 | $5,676,416 | 60,000,000 | 100% | $6,222,572 | $1,736,500 | $1,687,007 | (Note 2) |
| Bora Pharmaceuticals Co., Ltd. | SunWay Biotech Co., LTD. | Taipei City, Taiwan | Healthcare product wholesale and retail | $1,138,633 | $1,138,633 | 21,257,168 | 35.79% | $1,148,471 | $71,438 | $25,568 | (Note 1) |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceutical Services Inc. | Province of Ontario, Canada | Pharmaceutical contract development and manufacturing | CAD 10,000 | CAD 10,000 | 100,000,000 | 50% | $1,565,483 | $230,380 | $115,190 | - |

| Investor | Investee company | Location | Main businesses | Initial investment amount | | Balance as of June 30, 2024 | | | 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 Pharmaceuticals Ophthalmic Inc. | Taipei City, Taiwan | Pharmaceutical contract development and manufacturing | $160,126 | $160,126 | 64,252,492 | 98.85% | $46,864 | $(55,134) | $(54,499) | - |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA ,Inc. | State of New Jersey, USA | Pharmaceutical wholesale | USD 7,600 | USD 7,600 | 38 | 100% | $10,644 | $(855,466) | $(855,466) | - |
| SunWay Biotech Co., LTD. | Sunway Group Holding Limited | Republic of Seychelles | Investment holding | USD 637 | USD 637 | 1,000,000 | 100% | $2,215 | $(554) | $(554) | - |
| SunWay Biotech Co., LTD. | Chen Run Marketing Co., Ltd. | Taipei City, Taiwan | Healthcare product wholesale | $2,550 | $2,550 | 255,000 | 51% | $2,716 | $(2) | $(1) | - |
| SunWay Biotech Co., LTD. | Bora Health Inc. | Taipei City, Taiwan | Pharmaceutical wholesale and healthcare product wholesale | $2,141,932 | $2,141,932 | 22,618,880 | 100% | $344,543 | $49,481 | $49,481 | - |
| SunWay Biotech Co., LTD. | GTSW BIOTECH SDN. BHD. | Malaysia | Healthcare product wholesale | MYR 200 | MYR - | 200,000 | 40% | $1,077 | $(227) | $(165) | (Note 3) |
| Sunway Group Holding Limited | Sunway Investment(H.K.) Limited | Hong Kong | Investment holding | USD 623 | USD 623 | 3,500,000 | 100% | $4,378 | $(555) | $(555) | - |
| Bora Health Inc. | Union Chemical & Pharmaceutical Co., Ltd. | Taipei City, Taiwan | Pharmaceutical manufacturing and wholesale | $31,558 | $31,558 | 1,500,000 | 100% | $31,187 | $(60) | $(60) | - |
| Bora Pharmaceuticals USA Inc | Bora Pharmaceutical Holdings, Inc. | State of Delaware, USA | Investment holding | USD 62,001 | USD - | 1,000 | 100% | $2,801,565 | $776,279 | $776,279 | |
| Bora Pharmaceutical Holdings, Inc. | Upsher-Smith Holdings Inc. | State of Minnesota, USA | Investment holding | USD 167,355 | USD - | 230 | 100% | $6,157,026 | $(63,357) | $75,106 | (Note 2) |
| Bora Pharmaceutical Holdings, Inc. | Upsher-Smith America LLC | State of Minnesota, USA | Investment holding | USD 41,839 | USD - | 1 | 20% | $1,539,770 | $(76,672) | $19,281 | (Note 2) |
| Upsher-Smith Holdings Inc. | Upsher-Smith America LLC | State of Minnesota, USA | Investment holding | USD 791,481 | USD 791,481 | 4 | 80% | $8,779,446 | $(76,672) | $(61,338) | |

| Investor | Investee company | Location | Main businesses | Initial investment amount | | Balance as of June 30, 2024 | | | Net income (loss) of investee | Investment income (loss) recognized | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Shares | Percentage of ownership | Carrying amount | | | |
| Upsher-Smith America LLC | Upsher-Smith Laboratories, LLC. | State of Minnesota, USA | Pharmaceutical manufacturing and wholesale | USD 992,546 | USD 992,546 | 5,976,700 Class A units; 116,235,280 Class B units | 100% | $10,156,248 | $(77,706) | $(77,706) | |

Note 1: Investment income (loss) includes the effect of unrealized or realized gross profit on intercompany transactions.

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

Note 3: Investment loss recognized in the reporting period is $(165) thousand, including the investment loss recognized in previous period of $(74) thousand and the investment loss recognized in current period of $(91) thousand.

Table 9

Investment in Mainland China at the end of the reporting period

| Investee company | Main businesses and products | Total amount of paid-in capital (in Thousands) | Method of investment *(Note 1)* | Accumulated outflow of investment from Taiwan as of January 1, 2024 (in Thousands) | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2024 (in Thousands) | Net income (loss) of investee company | Percentage of ownership of direct or indirect Investment | Investment income (loss) recognized *(Note 2)* | Carrying amount as of March 31, 2024 | Accumulated inward remittance of earnings as of June 30, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Sunway (Dongguan) Biotech Co., Ltd. | Healthcare product wholesale and retail | RMB 4,000 | (ii) | RMB 4,000 | $- | $- | RMB 4,000 | $(501) | 100% | $(501) | $3,787 | $7,725 |

| Accumulated outward remittance for investments in Mainland China as of June 30, 2024 (in Thousands) | Investment amounts authorized by Investment Commission, MOEA | Upper limit on the amount of investments stipulated by the Investment Commission, MOEA *(Note 3)* |
|---|---|---|
| RMB 4,000 | $19,547 | 1,925,752 |

Note 1: The methods for engaging in investment in Mainland China include the following:

(i) Direct investment in Mainland China

(ii) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region)

(iii) Other methods.

Note 2: The basis of investment income (loss) recognition is from the financial statements reviewed by the Taiwan parent company's certified accountant.

Note 3: The investment in SunWay Biotech Co., LTD. has been approved by the Investment Commission, MOEA with the limit of amount of 60% of its net worth.

Table 10

Information on major shareholders

| Shares / Name of major shareholders | Shares | Percentage of Ownership |
|---|---|---|
| Baolei Co., Ltd. | 18,704,939 | 18.41% |
| Reibaoshin Co., Ltd. | 11,348,676 | 11.17% |
| Sheng Pao-Shi | 5,392,672 | 5.30% |

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 day. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

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

**BORA PHARMACEUTICALS Co., LTD. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**WITH**

**REPORT OF INDEPENDENT AUDITORS**

**FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022**

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

Telphone：886-2-2790-1555

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

## Independent Auditors' Report

To BORA PHARMACEUTICALS CO., LTD.

### Opinion

We have audited the accompanying consolidated balance sheets of BORA PHARMACEUTICALS CO., LTD. (the "Company") and its subsidiaries (together the "Group") as of 31 December 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

As of 31 December 2023, the Group's net inventories amounted to NT$2,156,134 thousand, and constituted 9% of total consolidated assets, which were material to the consolidated financial statements. Considering the market demand and possible sales, management evaluated the obsolescence of raw materials, work in progress, and semi-finished goods by inventories aging.

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

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

Revenue Recognition

For the year ended 31 December 2023, the Group recognized NT$14,200,068 thousand as revenues, mainly coming from toll manufacturing, rendering services, prescription drug distribution and sales of consumer healthcare products. As timing of revenue recognition varies among contract terms with customers, which involved management's significant judgment, we have determined this as a key audit matter.

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

Business Combination

On November 1, 2023 (the "acquisition date"), in accordance with the Enterprise Mergers and Acquisitions Law and other relevant laws, the Group acquired the shares of SunWay Biotech Co., LTD. and obtained the control over SunWay Biotech Co., LTD. by exchange the shares of Bora Health Inc. This transaction accounts for a reverse acquisition according to the International Finance Reporting standards. We have determined the transaction as a key audit matter as this transaction accounts for a reverse acquisition and the transaction amount of business combinations is significant, which involved the identification of merger and acquisition transaction.

Our audit procedures included, but were not limited to, the following: obtaining agreements for share exchanges, evaluating the reasonableness of acquisition consideration under business combination and the fair value of identifiable net assets through business combination, confirming the acquisition date and related accounting treatments. We also evaluated the appropriateness of the disclosures of business combination. Please refer to Notes IV and VI to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of consolidated financial statements for year ended 31 December 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2023 and 2022.

Hung, Kuo Sen

Chen, Ming Hung

Ernst & Young, Taiwan

7 March 2024

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 | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| Current assets | | | | | |
| Cash and cash equivalents | IV&VI.1 | $3,053,294 | 12 | $3,281,319 | 15 |
| Financial assets measured at fair value through profit or loss, current | IV&VI.2 | - | - | 14 | - |
| Financial assets at amortized cost, current | IV&VI.4&VIII | 342,627 | 1 | 247,617 | 1 |
| Contract assets, current | IV&VI.23 | 15,111 | - | 35,197 | - |
| Notes receivable, net | IV&VI.5.24 | 54,323 | - | 36,900 | - |
| Accounts receivable, net | IV&VI.6.24 | 3,890,584 | 16 | 6,028,343 | 27 |
| Accounts receivable-related parties, net | IV&VI.6.24&VII | 68,290 | - | 19,707 | - |
| Other receivables | | 82,614 | - | 286,376 | 1 |
| Inventories, net | IV&VI.7 | 2,156,134 | 9 | 1,946,818 | 9 |
| Prepayments | VI.8 | 801,425 | 3 | 291,419 | 1 |
| Other current assets | VI.9 | 138,626 | 1 | 67,096 | - |
| Total current assets | | 10,603,028 | 42 | 12,240,806 | 54 |
| | | | | | |
| Non-current assets | | | | | |
| Financial assets measured at fair value through profit or loss, non-current | IV&VI.2 | - | - | 2,336 | - |
| Financial assets measured at fair value through other comprehensive income, non-current | IV&VI.3 | 7,758 | - | - | - |
| Financial assets measured at amortized cost, non-current | IV&VI.4&VIII | 13,500 | - | 62,027 | - |
| Property, plant and equipment | IV&VI.10&VIII | 6,649,994 | 27 | 6,645,112 | 29 |
| Right-of-use assets | IV&VI.25 | 842,586 | 3 | 655,196 | 3 |
| Investment properties, net | IV&VI.11&VIII | 17,018 | - | 17,626 | - |
| Intangible assets | IV&VI.12.13 | 5,595,670 | 22 | 2,147,431 | 10 |
| Deferred tax assets | IV&VI.29 | 1,044,615 | 5 | 829,636 | 4 |
| Prepayment for equipments | | 149,991 | 1 | 37,803 | - |
| Refundable deposits | | 44,111 | - | 38,298 | - |
| Other non-current assets | | 83,734 | - | 84,944 | - |
| Total non-current assets | | 14,448,977 | 58 | 10,520,409 | 46 |
| | | | | | |
| Total assets | | $25,052,005 | 100 | $22,761,215 | 100 |

(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 | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|---|
| Current liabilities | | | | | |
| Short-term loans | VI.14 | $767,508 | 3 | $2,161,065 | 9 |
| Financial liabilities measured at fair value through profit or loss, current | IV&VI.15 | 1,584,841 | 6 | 695,476 | 3 |
| Contract liabilities, current | IV&VI.23 | 224,597 | 1 | 85,692 | - |
| Notes payable | | 18,845 | - | 2,856 | - |
| Accounts payable | | 361,605 | 1 | 426,851 | 2 |
| Accounts payable-related party | VII | - | - | 25,031 | - |
| Other payables | VI.16 | 1,526,752 | 6 | 3,891,975 | 17 |
| Other payables-related party | | - | - | 1,129 | - |
| Income tax payable | IV&VI.29 | 987,430 | 4 | 238,651 | 1 |
| Provisions, current | IV&VI.20 | 144,523 | 1 | 134,381 | 1 |
| Lease liabilities, current | IV&VI.25 | 106,039 | 1 | 75,307 | - |
| Current portion of long-term loans | VI.18 | 630,502 | 3 | 725,627 | 3 |
| Refund liabilities | IV&VI.23 | 1,866,901 | 7 | 2,023,565 | 9 |
| Other current liabilities | | 9,518 | - | 7,917 | - |
| Total current liabilities | | 8,229,061 | 33 | 10,495,523 | 45 |
| Non-current liabilities | | | | | |
| Financial liabilities measured at fair value through profit or loss, non-current | IV&VI.15 | 359,604 | 1 | 928,206 | 4 |
| Contract liabilities, non-current | IV&VI.23 | - | - | 4,184 | - |
| Bonds payable | IV&VI.17 | 1,538,361 | 6 | 642,363 | 3 |
| Long-term loans | VI.18 | 1,185,260 | 5 | 3,394,474 | 15 |
| Provisions, non-current | IV&VI.20 | 216,805 | 1 | 341,716 | 2 |
| Deferred tax liabilities | IV&VI.29 | 701,736 | 3 | 742,848 | 3 |
| Lease liabilities, non-current | IV&VI.25 | 763,333 | 3 | 596,879 | 3 |
| Other non-current liabilities | | 292,034 | 1 | 474,566 | 2 |
| Total non-current liabilities | | 5,057,133 | 20 | 7,125,236 | 32 |
| Total liabilities | | 13,286,194 | 53 | 17,620,759 | 77 |
| Equity attributable to the parent company | VI.17.21 | | | | |
| Capital | | | | | |
| Common stock | | 1,014,128 | 4 | 753,815 | 3 |
| Advance receipts for ordinary share | | 853 | - | 3,107 | - |
| Capital surplus | | 3,318,350 | 13 | 1,236,380 | 6 |
| Retained earnings | | | | | |
| Legal reserve | | 355,501 | 1 | 216,436 | 1 |
| Special reserve | | - | - | 23,919 | - |
| Unappropriated earnings | | 4,373,116 | 18 | 2,308,664 | 10 |
| Subtotal | | 4,728,617 | 19 | 2,549,019 | 11 |
| Other equity | | 73,807 | - | 39,093 | - |
| Treasury stock | | (50,968) | - | (53,092) | - |
| Equity attributable to shareholders of the parent | | 9,084,787 | 36 | 4,528,322 | 20 |
| Non-controlling interests | VI.21 | 2,681,024 | 11 | 612,134 | 3 |
| Total equity | | 11,765,811 | 47 | 5,140,456 | 23 |
| Total liabilities and equity | | $25,052,005 | 100 | $22,761,215 | 100 |

(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 year ended 31 December 2023 | | For the year ended 31 December 2022 | |
|---|---|---|---|---|---|
| Operating revenue | IV&VI.23&VII | $14,200,068 | 100 | $10,494,470 | 100 |
| Operating costs | VI.7.24.25&VII | (7,208,830) | (51) | (7,581,695) | (72) |
| Gross profit | | 6,991,238 | 49 | 2,912,775 | 28 |
| Operating expenses | | | | | |
| Sales and marketing expenses | VI.22.24.25.26&VII | (447,093) | (3) | (260,115) | (2) |
| General and administrative expenses | | (996,846) | (7) | (601,406) | (6) |
| Research and development expenses | | (298,160) | (2) | (129,078) | (1) |
| Total operating expenses | | (1,742,099) | (12) | (990,599) | (9) |
| Operating income | | 5,249,139 | 37 | 1,922,176 | 19 |
| Non-operating income and expenses | VI.27 | | | | |
| Other revenue | | 93,392 | 1 | 30,684 | - |
| Other gains and losses | | (1,107,146) | (8) | (4,132) | - |
| Financial costs | | (171,239) | (1) | (108,727) | (1) |
| Total non-operating income and expenses | | (1,184,993) | (8) | (82,175) | (1) |
| Net income before income tax | | 4,064,146 | 29 | 1,840,001 | 18 |
| Income tax expense | IV&VI.29 | (992,225) | (7) | (438,476) | (4) |
| Net income | | 3,071,921 | 22 | 1,401,525 | 14 |
| Other comprehensive income | IV&VI.28.29 | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| Gains or losses on remeasurements of defined benefit plans | | (8,681) | - | 5,399 | - |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | | 2,489 | - | (1,430) | - |
| To be reclassified to profit or loss in subsequent periods | | | | | |
| Exchange differences resulting from translation foreign operations | | 50,758 | - | 73,805 | 1 |
| Income tax related to items to be reclassified subsequently to profit or loss | | (10,287) | - | (14,761) | - |
| Total other comprehensive income, net of tax | | 34,279 | - | 63,013 | 1 |
| Total comprehensive income | | $3,106,200 | 22 | $1,464,538 | 15 |
| Net income attributable to: | | | | | |
| Stockholders of the parent | | $3,030,142 | | $1,391,916 | |
| Non-controlling interests | | $41,779 | | $9,609 | |
| Comprehensive income attributable to: | | | | | |
| Stockholders of the parent | | $3,064,856 | | $1,454,929 | |
| Non-controlling interests | | $41,344 | | $9,609 | |
| Earnings per share (NTD) | IV&VI.30 | | | | |
| Earnings per share-basic | | $30.20 | | $14.26 | |
| Earnings per share-diluted | | $29.39 | | $14.13 | |

(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 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | | | Retained earnings | | | Other equity | | | | | | |
| | Common stock | Advance receipts for ordinary share | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences resulting from translation of foreign operations | Unrealized (loss) on financial assets at fair value through other comprehensive income | Gains or losses on remeasurements of defined benefit plans | Treasury stock | Total | Non-controlling interests | Total equity |
| 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 year ended 31 December 2022 | - | - | - | - | - | 1,391,916 | - | - | - | - | 1,391,916 | 9,609 | 1,401,525 |
| Other comprehensive income for the year ended 31 December 2022 | - | - | - | - | - | 15 | 59,044 | - | 3,969 | - | 63,028 | - | 63,028 |
| Total comprehensive income | - | - | - | - | - | 1,391,931 | 59,044 | - | 3,969 | - | 1,454,944 | 9,609 | 1,464,553 |
| Conversion of convertible bonds | - | 3,067 | 80,403 | - | - | - | - | - | - | - | 83,470 | - | 83,470 |
| Treasury stock purchases | - | - | - | - | - | - | - | - | - | (53,092) | (53,092) | - | (53,092) |
| Share-based payment transactions-exercise of stock option | 510 | 40 | 3,346 | - | - | - | - | - | - | - | 3,896 | - | 3,896 |
| Share-based payment transactions-stock based compensation | - | - | 29,790 | - | - | - | - | - | - | - | 29,790 | 2,036 | 31,826 |
| Share-based payment transactions-conversion of stock option | 660 | (660) | - | - | - | - | - | - | - | - | - | - | - |
| 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 |
| Adjustment to share of changes in equities of subsidiaries | - | - | - | - | - | (1,281) | - | - | - | - | (1,281) | 578,666 | 577,385 |
| Balance as of 31 December 2022 | $753,815 | $3,107 | $1,236,380 | $216,436 | $23,919 | $2,308,664 | $35,489 | ($4,900) | $8,504 | $(53,092) | $4,528,322 | $612,134 | $5,140,456 |
| 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 year ended 31 December 2023 | - | - | - | - | - | 3,030,142 | - | - | - | - | 3,030,142 | 41,779 | 3,071,921 |
| Other comprehensive income for the year ended 31 December 2023 | - | - | - | - | - | - | 40,906 | - | (6,192) | - | 34,714 | (435) | 34,279 |
| Total comprehensive income | - | - | - | - | - | 3,030,142 | 40,906 | - | (6,192) | - | 3,064,856 | 41,344 | 3,106,200 |
| Conversion of convertible bonds | 27,863 | (3,064) | 644,607 | - | - | - | - | - | - | - | 669,406 | - | 669,406 |
| Difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal | - | - | 872,616 | - | - | - | - | - | - | - | 872,616 | 1,993,616 | 2,866,232 |
| Adjustment to share of changes in equities of subsidiaries | - | - | 47,125 | - | - | - | - | - | - | - | 47,125 | 29,375 | 76,500 |
| Share-based payment transactions-exercise of stock option | 1,000 | 850 | 24,594 | - | - | - | - | - | - | - | 26,444 | - | 26,444 |
| Share-based payment transactions-stock based compensation | - | - | 95,598 | - | - | - | - | - | - | - | 95,598 | 7,215 | 102,813 |
| Share-based payment transactions-conversion of stock option | 40 | (40) | - | - | - | - | - | - | - | - | - | - | - |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (2,660) | (2,660) |
| Other-treasury shares sold to employees | - | - | 5,368 | - | - | - | - | - | - | 2,124 | 7,492 | - | 7,492 |
| Balance as of 31 December 2023 | $1,014,128 | $853 | $3,318,350 | $355,501 | $- | $4,373,116 | $76,395 | ($4,900) | $2,312 | ($50,968) | $9,084,787 | $2,681,024 | $11,765,811 |

(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 year ended 31 December 2023 | For the year ended 31 December 2022 | Items | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | Cash flows from investing activities: | | |
| Net income before income tax | $4,064,146 | $1,840,001 | Proceeds from disposal of financial assets measured at amortized cost | 53,648 | 323,981 |
| Adjustments for: | | | Acquisition of financial assets measured at amortized cost | (95,351) | - |
| Income and expense adjustments: | | | Acquisition of subsidiary (net of cash acquired) | (1,288,413) | (4,514,398) |
| Depreciation | 420,088 | 258,774 | Proceeds from disposal of subsidiary | - | 24,000 |
| Amortization | 186,198 | 66,412 | Acquisition of property, plant and equipment | (256,300) | (187,760) |
| Net loss on financial assets or liabilities measured at fair value through profit or loss | 1,044,183 | 47,787 | Proceeds from disposal of property, plant and equipment | 3,372 | 37,953 |
| Interest expense | 171,239 | 108,727 | Increase in refundable deposits | - | (10,805) |
| Interest income | (62,954) | (11,364) | Decrease in refundable deposits | 3,375 | - |
| Share-based payment expenses | 102,813 | 31,826 | Decrease in other receivables | - | 73,005 |
| Loss on disposal of property, plant and equipment | 4,997 | 2,357 | Acquisition of intangible assets | (1,132,481) | (5,410) |
| Gains on disposal of other assets | - | 1,023 | Net cash inflows from business combination | 288,423 | - |
| Others | 8,398 | 16,607 | Other non-current assets | 7,547 | (14,712) |
| Total income and expense adjustments: | 1,874,962 | 522,149 | Increase in prepayment for equipments | (41,405) | (7,045) |
| | | | Net cash used in investing activities | (2,457,585) | (4,281,191) |
| Changes in operating assets and liabilities: | | | | | |
| Contract assets | 20,086 | (35,197) | Cash flows from financing activities: | | |
| Notes receivable, net | (17,423) | (12,575) | Increase in short-term loans | - | 772,328 |
| Notes receivable-related party, net | - | 2,233 | Decrease in short-term loans | (1,397,782) | - |
| Accounts receivable, net | 2,138,609 | (1,469,620) | Issuance of convertible bonds | 2,023,360 | 844,998 |
| Accounts receivable-related parties, net | (1,419) | (4,002) | Proceeds from long-term borrowings | 2,781,000 | 4,709,273 |
| Other receivables | 8,045 | (37,655) | Repayment of long-term loans | (5,101,136) | (1,878,472) |
| Inventories, net | (124,499) | 99,389 | Repayment of the principal of lease liabilities | (74,747) | (37,227) |
| Prepayments | (9,210) | (106,166) | Increase in other non-current liabilities | - | 557 |
| Other current assets | (71,203) | (35,302) | Decrease in other non-current liabilities | (3,119) | - |
| Contract liabilities | 134,721 | (11,774) | Cash dividends | (619,134) | (238,802) |
| Notes payable | 1,852 | 2,057 | Employee stock options exercised | 26,444 | 3,896 |
| Notes payable-related party | - | (7,596) | Treasury stock purchases | - | (53,092) |
| Accounts payable | (65,844) | 94,802 | Treasury shares sold to employees | 7,492 | - |
| Accounts payable-related party | (25,031) | 12,366 | Interest paid | (156,006) | (105,040) |
| Other payables | (2,185,681) | 1,447,498 | Net change of non-controlling interests | 73,405 | 576,381 |
| Refund liabilities | (156,664) | 163,338 | Net cash (used in) provided by financing activities | (2,440,223) | 4,594,800 |
| Provisions | (139,197) | (103,532) | | | |
| Other current liabilities | 923 | 6,044 | Effect of exchange rate changes on cash and cash equivalents | 56,126 | 46,887 |
| Cash generated from operations | 5,447,173 | 2,366,458 | | | |
| Interest received | 62,954 | 11,364 | Net (decrease) increase in cash and cash equivalents | (228,025) | 2,370,570 |
| Income tax paid | (896,470) | (367,748) | Cash and cash equivalents at beginning of period | 3,281,319 | 910,749 |
| Net cash provided by operating activities | 4,613,657 | 2,010,074 | Cash and cash equivalents at end of period | $3,053,294 | $3,281,319 |

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

(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 12 June 2007, for which the Company's initial name 'Bora International Co., LTD.' was used until it was renamed in June 2013. The Company's initial registered office and principal place of business was of Sing'ai Rd., Neihu Dist., Taipei City, Republic of China (R.O.C.), and then relocated to 6F., No. 2, Aly. 36, Ln. 26, Ruiguang Rd., Neihu District, Taipei City, Republic of China (R.O.C.) on 2 February 2021. The main activities of the Company focus on manufacturing and selling generic, brand, and over-the-counter (OTC) drugs, contract development and manufacturing (CDMO). The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on 19 December 2023.

## II. The Authorization of Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the years ended 31 December 2023 and 2022 were authorized for issue by the Board of Directors on 7 March 2024.

## 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 "*Consolidated Financial Statements*" and IAS 28 "*Investments in Associates and Joint Ventures*" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 "*Insurance Contracts*" | 1 January 2023 |
| c | 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 years ended 31 December 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

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

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

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

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

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

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

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Group, 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 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|
| The Company | Union Chemical & Pharmaceutical Co., Ltd. | Pharmaceutical manufacturing and wholesale | -% (Note 1) | 100% |
| The Company | Bora Health Inc. | Pharmaceutical wholesale and healthcare product wholesale | -% (Note 2) | 90.44% |
| The Company | Bora Pharmaceutical Laboratories Inc. | Pharmaceutical contract development and manufacturing | 100% | 100% |
| The Company | Bora Pharmaceuticals USA Inc. | Pharmaceutical wholesale | 100% | 100% |
| The Company | Bora Pharmaceutical Services Inc. | Pharmaceutical contract development and manufacturing | 50% | 50% |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceutical Services Inc. | Pharmaceutical contract development and manufacturing | 50% | 50% |
| The Company | Bora Management Consulting Co., Ltd. | Management & consulting | 100% | 100% |
| The Company | Bora Biologics Co., Ltd. | Biotechnical services, research and development services and pharmaceutical manufacturing | 65.7% | 65.7% |
| The Company | Bora Pharmaceutical and Consumer Health Inc. | Biotechnical research and management and consulting | 100% | 100% |
| The Company | TWi Pharmaceuticals, Inc. | Pharmaceutical manufacturing and wholesale | 100% | 100% |
| The Company | SunWay Biotech Co., LTD. | Healthcare product research and development and manufacturing and sales | 35.79% (Note 2) (Note 4) | -% |
| TWi Pharmaceuticals, Inc. | Bora Pharmaceuticals Ophthalmic Inc. | Pharmaceutical manufacturing and sales | -% (Note 3) | 98.64% |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA Inc. | Pharmaceutical wholesale | 100% | 100% |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Ophthalmic Inc. | Pharmaceutical manufacturing and sales | 98.85% (Note 3) | -% |
| SunWay Biotech Co., LTD. | Sunway Group Holding Limited | Investment | 100% (Note 2) | -% |
| SunWay Biotech Co., LTD. | Chen Run Marketing Co., Ltd | Healthcare product sales | 51% (Note 2) | -% |
| SunWay Biotech Co., LTD. | Bora Health Inc. | Pharmaceutical and Healthcare product wholesale | 100% (Note 2) | -% |
| Bora Health Inc. | Union Chemical & Pharmaceutical Co., Ltd. | Pharmaceutical manufacturing and wholesale | 100% (Note 1) | -% |
| Sunway Group Holding Limited | Sunway Investment (H.K.) Limited | Investing | 100% (Note 2) | -% |
| Sunway Investment (H.K.) Limited | Sunway (Dongguan) Biotech Co., LTD. | Healthcare product wholesale and sales | 100% (Note 2) | -% |

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 order to enhance the efficiency of research and development as well as expand the portfolio of health care products, the Company's board of directors resolved on August 21, 2023, to acquire 35.79% of equity interests of SunWay Biotech Co., LTD. in exchange for all the Company’s equity interest of Bora Health Inc. Upon the completion of share conversion effective on November 1, 2023, the Company obtained the control over SunWay Biotech Co., LTD. and its subsidiaries. and they have been included in the consolidated financial statements.

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.

Note 4: The Company holds less than 50% of the voting rights of SunWay Biotech Co., LTD. but still has control over it because the Company is the single largest shareholder of SunWay Biotech Co., LTD. since the acquisition date while the other shareholders are relatively dispersed. As the Company has the ability to dominate major relevant activities of SunWay Biotech Co., LTD., SunWay Biotech Co., LTD. becomes one of the Company’s subsidiary accordingly.

4. Foreign currency transactions

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

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

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

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

5. Translation of financial statements in foreign currency

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

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

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

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

6. Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

7. Cash and cash equivalents

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

8. Financial instruments

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

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

(1) Financial instruments: recognition and measurement

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

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

A. the Group's business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

Financial asset measured at fair value through profit or loss

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

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

(2) Impairment of financial assets

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

The Group measures expected credit losses of a financial instrument in a way that reflects:
A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
B. the time value of money
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

(3) Derecognition of financial assets

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

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

(4) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial instruments

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

9. Derivative instrument

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

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

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

10. Fair value measurement

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

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

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

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

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

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

11.Inventories, net

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

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

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

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

12. Property, plant and equipment

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

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

| | |
|---|---|
| Buildings | 3～50 years |
| Machinery and equipment | 2～25 years |
| Transportation equipment | 5～13 years |
| Office equipment | 2～17 years |
| Leasehold improvements | 2～25 years |
| Other equipment | 2～19 years |

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

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

13. Investment property, net

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

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

| | |
|---|---|
| Buildings | 30 years |

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

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

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

14. Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:
(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

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

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

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

15. Intangible assets

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

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

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

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

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

Research and development costs

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

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

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

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

| Category | Useful lives | Amortization methods |
|---|---|---|
| Trademark | 10 years | Straight line method |
| Patent | 9 to 20 years | Straight line method |
| Product distribution | 5 to 13 years | Straight line method |
| Computer software | 1 to 7 years | Straight line method |
| Drug license | 2 to 16 years | Straight line method |
| Customer relations | 12 years | Straight line method |
| Other intangible assets | 2 to 10 years | Straight line method |

16. Impairment of non-financial assets

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

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

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

17. Provisions

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

Provision for onerous contracts

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

Provisions for employee benefits

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

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

18. Treasury stock

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

19. Revenue recognition

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

<u>Sale of goods (Commercial Sales)</u>

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

The terms of accounts receivable are generally 30 ~180 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivable. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contracts. However, for some contracts, part of the consideration was received from customers upon signing the contracts, and the Group has the obligation to provide the products subsequently; accordingly, these amounts are recognized as contract liabilities.

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

<u>CDMO – Services Revenue</u>

The Group provides biopharmaceutical contract testing and development services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost relative to the total expected cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

CDMO – Manufacturing Revenue

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

20. Borrowing costs

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

21. Post-employment benefits

All employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Group and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

Defined contribution plan for overseas subsidiaries: Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and recognizes as an expenses when the employees have rendered service entitling them to the contribution.

For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations and are determined using the Projected Unit Credit Method. Remeasurement from net defined benefit liability (asset), comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Prior service cost resulting from the change of the present value of defined benefit obligation (assets) due to the amendment or the reduction of pension plan are recognized as expense at earlier of
(a) The amendment or reduction of pension plan or
(b) The Group recognizes restructuring cost or severance benefits.

Net interest on the net defined benefit liability (asset) is determined by the discount rate, contributions, and payments made in the reporting periods.

22. Shared-based payment transactions

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

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

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

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

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

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

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

23. Income taxes

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred tax

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

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

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

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

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

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

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

The amendment in "*International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)*" has applied the exception. an exception to the requirements in IAS 12 that an entity does not recognize and does not disclose information about deferred tax assets and liabilities related to the pillar two income taxes.

24. Business combinations and goodwill

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

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

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

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

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

In a reverse acquisition, the accounting acquirer usually issues no consideration for the acquiree. Instead, the accounting acquiree usually issues its equity shares to the owners of the accounting acquirer. Accordingly, the acquisition-date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquiree is based on the number of equity interests the legal subsidiary would have had to issue to give the owners of the legal parent the same percentage equity interest in the combined entity that results from the reverse acquisition. The fair value of the number of equity interests calculated in that way can be used as the fair value of consideration transferred in exchange for the acquiree.

In a reverse acquisition, the consolidated financial statements reflect the assets and liabilities of the legal subsidiary (the accounting acquirer) recognized and measured at their pre-combination carrying amounts, and reflect the retained earnings and other equity balances of the legal subsidiary (the accounting acquirer) at their pre-combination carrying amounts. The consolidated financial statements reflect the assets and liabilities of the legal parent (the accounting acquiree) recognized and measured at its fair value, and reflect the retained earnings and other equity balances of the legal subsidiary (accounting acquirer) before the business combination.

V. Significant Accounting Judgements, Estimates and Assumptions

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

(1) Judgement

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

(a) Revenue recognition

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

(b) Operating lease commitment－group as the lessor

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

(c) Reverse acquisition

The Company acquired 21,257,000 shares of SunWay Biotech Co., LTD. (share interest of 35.79%, approximately) in exchange of all the Company's equity interest of Bora Health Inc. and has obtained control over SunWay Biotech Co., LTD. and its subsidiaries. Because SunWay Biotech Co., LTD. and Bora Health Inc. were not under common control before the share exchange, when SunWay Biotech Co., LTD. and Bora Health Inc. determine the accounting acquirer, they should make a consistent judgment as the parent company of SunWay Biotech Co., LTD. Therefore, the share exchange transaction was account for a reverse acquisition, under which Bora Health Inc. is identified as the accounting acquirer, and accordingly, SunWay Biotech Co., LTD. is identified as legal acquiree in accordance with IFRS 3.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Inventory valuation

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

(b) Revenue recognition－sales returns and discounts

The Group estimates sales returns and discounts based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note VI for more details.

(c) Income tax

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

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

(d) Accounts receivable–estimation of impairment loss

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

(e) Share-based payment transactions

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

(f) Pension benefits

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

(g) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note VI.

(h) Goodwill assessment arising from business combinations

The Group assessed the goodwill acquired through business combinations by identifying and allocating assets, liabilities and goodwill to related cash-generating unit at the date of acquisition based on an external specialist report which involving multiple assumptions in financial models, parameter inputs, and relevant accounting estimates. Please refer to Note VI for more details for the assumption that might have significant impact for the recognition of goodwill

(i) Fair value measurement of contingent consideration

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

## VI. Details of Significant Accounts

### 1. Cash and cash equivalents

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cash on hand | $1,034 | $871 |
| Checking accounts and demand deposits | 2,902,260 | 3,280,448 |
| Time deposits | 150,000 | - |
| Total | $3,053,294 | $3,281,319 |

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

| | 31 December 2023 | 31 December 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 | - | 2,336 |
| Total | $- | 2,350 |
| Current | $- | $14 |
| Non-current | $- | $2,336 |

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

### 3. Financial assets at fair value through other comprehensive income

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Equity instrument investments measured at fair value through other comprehensive income – Non-current: | | |
| Stocks – private entity | $7,758 | $- |

The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income and none were pledged.

4. Financial assets at amortized cost

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Time deposits | $334,951 | $76,775 |
| Restricted deposits | 21,176 | 232,869 |
| Total | $356,127 | $309,644 |
| Current | $342,627 | $247,617 |
| Non-current | $13,500 | $62,027 |

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note VI.24 for more details on credit loss, Note VIII for more details on financial assets measured at amortized cost under pledge and Note XII for more details on credit risk management.

5. Notes receivable, net

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Notes receivable from operation, gross | $54,323 | $36,900 |
| Less: loss allowance | - | - |
| Subtotal | 54,323 | 36,900 |
| Notes receivable from related party, gross | - | - |
| Less: loss allowance | - | - |
| Subtotal | - | - |
| Total | $54,323 | $36,900 |

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.24 for more details on credit loss and Note XII for details on credit risk management.

6. Accounts receivable

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Accounts receivables, gross | $3,907,992 | $6,038,657 |
| Less: loss allowance | (17,408) | (10,314) |
| Subtotal | 3,890,584 | 6,028,343 |
| Accounts receivable from related party, gross | 68,290 | 19,707 |
| Less: loss allowance | - | - |
| Subtotal | 68,290 | 19,707 |
| Total | $3,958,874 | $6,048,050 |

(1) Accounts receivable were not pledged.

(2) The terms of accounts receivable are generally on 30 to 180 days. The total carrying amount as of 31 December 2023 and 2022 are NT$3,976,282 thousand and NT$6,058,364 thousand, respectively. Please refer to Note VI.24 for more details on credit loss of accounts receivable as of 31 December 2023 and 2022. Please refer to Note XII for more details on credit risk management.

7. Inventories, net

(1) Details on net inventories are as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Raw materials | $961,801 | $810,560 |
| Supplies and spares parts | 113,986 | 154,196 |
| Work in progress | 100,390 | 46,080 |
| Semi-finished goods | 303,814 | 343,926 |
| Finished goods | 576,456 | 500,178 |
| Merchandise | 99,687 | 91,878 |
| Total | $2,156,134 | $1,946,818 |

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

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Cost of goods sold | $7,104,316 | $7,516,909 |
| Inventories (overage) shortage | (838) | 5,876 |
| Loss on valuation of inventories | 105,352 | 58,910 |
| Total | $7,208,830 | $7,581,695 |

(3) The cost of inventories recognized in operating costs amounted to NT$7,208,830 thousand and NT$7,581,695 thousand for the years ended 31 December 2023 and 2022, respectively, including the loss on valuation of inventories of NT$105,352 thousand and NT$58,910 thousand, respectively.

(4) No inventories were pledged.

8. Prepayments

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Advances to vendors | $115,595 | $44,488 |
| Prepaid insurance | 19,426 | 9,544 |
| Prepaid rent | 1,009 | 904 |
| Prepaid inspection fee | 48,668 | 32,970 |
| Prepaid business tax | 37,858 | 136,868 |
| Prepaid income tax | 499,138 | 4,465 |
| Others | 79,731 | 62,180 |
| Total | $801,425 | $291,419 |

9. Other current assets

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Payment on behalf of others (Note) | $91,831 | $51,593 |
| Temporary payments | 5,276 | 4,435 |
| Others | 41,519 | 11,068 |
| Total | $138,626 | $67,096 |

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

## 10. Property, plant and equipment

| | Land | Buildings | Machinery & equipment | Transportation equipment | Office equipment | Leasehold improvements | Other equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | |
| 1 January 2023 | $3,397,207 | $1,905,066 | $2,321,376 | $2,751 | $63,351 | $205,288 | $65,894 | $76,723 | $8,037,656 |
| Addition | - | 39,856 | 109,356 | - | 3,536 | 14,933 | 8,527 | 89,548 | 265,756 |
| Acquisitions through business combinations | - | - | 97,561 | 481 | 1,550 | 23,193 | - | 31,902 | 154,687 |
| Disposals | - | (37,302) | (169,643) | - | (863) | - | (2,980) | - | (210,788) |
| Reclassification | - | 22,396 | 45,573 | - | (13,134) | 8,397 | 15,417 | (83,898) | (5,249) |
| Exchange differences | 26,816 | 14,502 | 11,809 | - | 158 | - | - | 1,563 | 54,848 |
| 31 December 2023 | $3,424,023 | $1,944,518 | $2,416,032 | $3,232 | $54,598 | $251,811 | $86,858 | $115,838 | $8,296,910 |
| 1 January 2022 | $1,983,704 | $1,392,590 | $776,695 | $570 | $9,286 | $- | $82,522 | $11,725 | $4,257,092 |
| Addition | - | 18,054 | 89,237 | 630 | 12,089 | 6,851 | 5,847 | 55,052 | 187,760 |
| Acquisitions through business combinations | 1,360,377 | 468,510 | 1,553,171 | 1,551 | 42,123 | 198,512 | 6,406 | 10,369 | 3,641,019 |
| Disposals | - | (11,827) | (146,465) | - | (223) | (75) | (358) | - | (158,948) |
| Reclassification | - | 9,196 | 27,013 | - | - | - | (28,523) | (462) | 7,224 |
| Exchange differences | 53,126 | 28,543 | 21,725 | - | 76 | - | - | 39 | 103,509 |
| 31 December 2022 | $3,397,207 | $1,905,066 | $2,321,376 | $2,751 | $63,351 | $205,288 | $65,894 | $76,723 | $8,037,656 |
| | | | | | | | | | |
| Depreciation and impairment: | | | | | | | | | |
| 1 January 2023 | $- | $406,660 | $898,878 | $1,269 | $34,111 | $15,021 | $36,605 | $- | $1,392,544 |
| Depreciation | - | 81,304 | 232,206 | 226 | 6,438 | 13,205 | 7,684 | - | 341,063 |
| Acquisitions through business combinations | - | - | 86,248 | 441 | 1,525 | 23,193 | - | - | 111,407 |
| Disposals | - | (31,447) | (167,188) | - | (863) | - | (2,921) | - | (202,419) |
| Reclassification | - | - | - | - | (12,140) | - | 12,140 | - | - |
| Exchange differences | - | 944 | 3,368 | - | 9 | - | - | - | 4,321 |
| 31 December 2023 | $- | $457,461 | $1,053,512 | $1,936 | $29,080 | $51,419 | $53,508 | $- | $1,646,916 |
| 1 January 2022 | $- | $164,447 | $270,723 | $478 | $4,122 | $- | $67,341 | $- | $507,111 |
| Depreciation | - | 63,086 | 141,223 | 70 | 3,864 | 5,609 | 5,774 | - | 219,626 |
| Acquisitions through business combinations | - | 189,768 | 554,657 | 721 | 26,242 | 9,429 | - | - | 780,817 |
| Disposals | - | (11,800) | (106,335) | - | (223) | (17) | (263) | - | (118,638) |
| Reclassification | - | 452 | 36,247 | - | - | - | (36,247) | - | 452 |
| Exchange differences | - | 707 | 2,363 | - | 106 | - | - | - | 3,176 |
| 31 December 2022 | $- | $406,660 | $898,878 | $1,269 | $34,111 | $15,021 | $36,605 | $- | $1,392,544 |

| | Land | Buildings | Machinery & equipment | Transportation equipment | Office equipment | Leasehold improvements | Other equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Net carrying amount as at: | | | | | | | | | |
| 31 December 2023 | $3,424,023 | $1,487,057 | $1,362,520 | $1,296 | $25,518 | $200,392 | $33,350 | $115,838 | $6,649,994 |
| 31 December 2022 | $3,397,207 | $1,498,406 | $1,422,498 | $1,482 | $29,240 | $190,267 | $29,289 | $76,723 | $6,645,112 |

(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 years ended 31 December 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.11 for the investment properties disclosure for the building acquired by the Group in 2019 for business operation which partial is for lease while the remaining portion is owner-occupied. Leasing portion were recognized as investment properties.

11. 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 which include a clause for annual rate adjustment to reflect the change in market conditions.

| | Buildings |
|---|---|
| Cost: | |
| 1 January 2023 | $19,449 |
| Additions | - |
| 31 December 2023 | $19,449 |
| 1 January 2022 | $26,673 |
| Reclassification | (7,224) |
| 31 December 2022 | $19,449 |
| | |
| Depreciation and impairment: | |
| 1 January 2023 | $1,823 |
| Depreciation | 608 |
| 31 December 2023 | $2,431 |
| 1 January 2022 | $1,667 |
| Reclassification | (452) |
| Depreciation | 608 |
| 31 December 2022 | $1,823 |
| | |
| Net carrying amount as of: | |
| 31 December 2023 | $17,018 |
| 31 December 2022 | $17,626 |

| | 2023 | 2022 |
|---|---|---|
| Net income from investment properties | $4,690 | $6,294 |

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$53,094 thousand and NT$54,405 thousand as of 31 December 2023 and 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:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Net income margin | $110,741 | $110,269 |
| Capitalization rate | 2.11% | 2.07% |

Comparison approach:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Regional factors | 98%-100% | 100% |
| Individual factors | 89%-91% | 90%-94% |

12. Intangible assets

| | Trademark | Patent | Product distribution | Goodwill | Software | Drug License | Customers Relationship | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | |
| 1 January 2023 | $- | $- | $250,366 | $983,585 | $228,945 | $1,009,383 | $- | $64,827 | $2,537,106 |
| Addition | - | - | - | - | 9,326 | 1,244,969 | - | - | 1,254,295 |
| Acquisitions through business combinations | $5,296 | 275,396 | - | 1,797,803 | 2,061 | - | 321,000 | 7,689 | 2,409,245 |
| Disposals | - | - | (25,922) | - | (519) | - | - | - | (26,441) |
| Reclassification | - | - | - | - | 5,249 | - | - | - | 5,249 |
| Exchange differences | - | - | - | - | 4,132 | - | - | - | 4,132 |
| 31 December 2023 | $5,296 | $275,396 | $224,444 | $2,781,388 | $249,194 | $2,254,352 | $321,000 | $72,516 | $6,183,586 |
| 1 January 2022 | $- | $- | $- | $- | $195,510 | $- | $- | $36,839 | $232,349 |
| Addition | - | - | - | - | 4,339 | - | - | 1,071 | 5,410 |
| Acquisitions through business combinations | - | - | 250,366 | 983,585 | 22,131 | 1,009,383 | - | 31,679 | 2,297,144 |
| Disposals | - | - | - | - | (1,235) | - | - | (4,762) | (5,997) |
| Exchange differences | - | - | - | - | 8,200 | - | - | - | 8,200 |
| 31 December 2022 | $- | $- | $250,366 | $983,585 | $228,945 | $1,009,383 | $- | $64,827 | $2,537,106 |
| Amortization and impairment: | | | | | | | | | |
| 1 January 2023 | $- | $- | $248,555 | $- | $100,106 | $21,417 | $- | $19,597 | $389,675 |
| Amortization | 14 | 4,101 | 1,605 | - | 42,756 | 106,685 | 4,458 | 26,579 | 186,198 |
| Acquisitions through business combinations | 4,543 | 29,564 | - | - | 2,031 | - | - | 832 | 36,970 |
| Disposals | - | - | (25,922) | - | (519) | - | - | - | (26,441) |
| Exchange differences | - | - | - | - | 1,514 | - | - | - | 1,514 |
| 31 December 2023 | $4,557 | $33,665 | $224,238 | $- | $145,888 | $128,102 | $4,458 | $47,008 | $587,916 |
| 1 January 2022 | $- | $- | $- | $- | $41,829 | $- | $- | $19,475 | $61,304 |
| Amortization | - | - | 843 | - | 39,952 | 21,417 | - | 4,200 | 66,412 |
| Acquisitions through business combinations | - | - | 247,712 | - | 18,764 | - | - | - | 266,476 |
| Disposals | - | - | - | - | (1,235) | - | - | (4,078) | (5,313) |
| Exchange differences | - | - | - | - | 796 | - | - | - | 796 |
| 31 December 2022 | $- | $- | $248,555 | $- | $100,106 | $21,417 | $- | $19,597 | $389,675 |
| Net book value: | | | | | | | | | |
| 31 December 2023 | $739 | $241,731 | $206 | $2,781,388 | $103,306 | $2,126,250 | $316,542 | $25,508 | $5,595,670 |
| 31 December 2022 | $- | $- | $1,811 | $983,585 | $128,839 | $987,966 | $- | $45,230 | $2,147,431 |

Amortization of intangible assets for years ended 31 December are as follows:

| | For the years ended 31 December | |
|---|---|---|
| Amortization recognized in | 2023 | 2022 |
| Operating costs | $156,967 | $55,239 |
| Operating expenses | $29,231 | $11,173 |

In August 2023, the Group acquired six brand drug licenses and related right form a third party in the United States at a total purchase price US$38,500 thousand (NT$1,218,140 thousand, approximately). As of 31 December 2023, US$3,850 thousand (NT$ 121,814 thousand, approximately) was outstanding and recognized as other payables.

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

Goodwill acquired through business combinations and licenses with indefinite lives have been allocated to two cash-generating units ("CGU"), which are also reportable operating segments, for impairment testing as follows.

(a) CGU A: CDMO segment; and
(b) CGU B: Commercial Sales segment for pharmaceuticals, generic and healthcare products.

Carrying amount of goodwill allocated to each of the cash-generating units:

| | CDMO Segment CGU A | Commercial Sales Segment CGU B | Total |
|---|---|---|---|
| 31 December 2023 | $928,880 | $54,705 | $983,585 |
| 31 December 2022 | $928,880 | $54,705 | $983,585 |

<u>CGU A: CDMO segment</u>

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. The projected cash flows have been updated to reflect the change in demand for products and services. As of 31 December 2023, the pre-tax discount rate applied to cash flow projections is 14.80%. As a result of this analysis, management considers there is no impairment loss of goodwill.

<u>Key assumptions used in value-in-use calculations</u>

The calculation of value-in-use for both electronics and fire prevention equipment units are most sensitive to the following assumptions:
(a) Gross margin
(b) Discount rates
(c) Raw materials price inflation.
(d) Growth rate used to extrapolate cash flows beyond the budget period.

*Gross margins:* Gross margins are based on historical average gross margins preceding the start of the budget period and adjusted with recent market information. The average gross margin of CGU A: CDMO segment are slightly increased over the forecasted period for anticipated efficiency improvement for the production and industry future trends.

*Discount rates:* Discount rates reflect the current market assessment of the risks specific to the cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

*Raw materials price inflation:* The estimates are based on the recent prices published by the major material suppliers and the historical material price movement.

*Growth rate used to extrapolate cash flows beyond the budget period:* Growth rate for CGU A: CDMO segment was calculated based on historical sales data and future industry trends.

Sensitivity to changes in assumptions

Regarding the evaluation of value-in-use of CGU A: CDMO segment, the management believes that it is unlikely the aforementioned assumptions will change would cause the carrying value of CDMO segment significantly exceed its recoverable amount.

14. Short-term loans

| | Interest rates (%) | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Unsecured bank loans | 1.2%~2.4% | $767,508 | $724,365 |
| Secured bank loans | - | - | 1,436,700 |
| Total | | $767,508 | $2,161,065 |

The unused available line from short-term loans as of 31 December 2023 and 2022 are NT$5,057,720 thousands and NT$1,961,665 thousands.

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.

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Held for trading purpose: | | |
| Derivatives not designated as hedging instruments - | | |
| Forward foreign exchange agreements | $- | $501 |
| Contingent consideration from business combination | 1,935,436 | 1,623,181 |
| Embedded derivatives - | | |
| Put Option on convertible bonds | 9,009 | - |
| Total | $1,944,445 | $1,623,682 |
| Current | $1,584,841 | $695,476 |
| Non-current | $359,604 | $928,206 |

16.Other payables

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Investments payable | 184,230 | $521,538 |
| Salaries payable | 106,398 | 84,399 |
| Employees' and directors' remuneration payable | 190,972 | 94,268 |
| Equipment payable | 18,206 | 8,747 |
| Bonus payable | 220,311 | 208,595 |
| Repair and maintenance payable | 122,191 | 60,136 |
| Professional service fees payable | 24,739 | 54,076 |
| Facility management fees payable | 209 | 4,540 |
| Business tax payable | 19,757 | 74,538 |
| Interests payable | 1,230 | 2,767 |
| Royalty fees payable | 305,658 | 2,565,502 |
| Intangible assets payables | 127,426 | - |
| Other payables | 205,425 | 213,998 |
| Total | $1,526,752 | $3,893,104 |

17. Domestic convertible bonds payable

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Liability component: | | |
| Principal amount | $1,699,800 | $708,000 |
| (Discounts) on convertible bonds payable | (161,439) | (65,637) |
| Subtotal | 1,538,361 | 642,363 |
| Less: current portion | - | - |
| Net | $1,538,361 | $642,363 |
| Embedded derivative (shown as "Financial (liabilities) assets measured at fair value through profit or loss, non-current) | $(9,009) | $2,336 |
| Equity component (shown as "Capital Surplus, net of tax) | $392,017 | $83,791 |

Please refer to Note VII.27 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.

All of the convertible bonds were converted into 2,787 thousands of common shares as of 31 December 2023.

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 31 December 2023, the bonds of NT$200 thousand were converted into 320 thousands of common shares and were recognized as advance receipts for capital stock.

18. Long-term loans

Details of long-term loans as at 31 December 2023 and 31 December 2022 are as follows:

| Lenders | 31 December 2023 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---|---|---|
| Chang Hwa secured bank loan *(Note 1)* | $459,196 | 1.90% | From 23 December 2019 to 23 December 2034; 156 monthly instalments (principal and interests), starting from 23 January, 2022. |
| KGI Bank unsecured bank loan | 200,000 | 2.29% | From 4 December 2023 to 4 December 2025; 5 quarterly instalments (principal and interests), starting from 4 December 2024. |
| CTBC unsecured bank loan | 164,000 | 2.34% | From 17 June 2022 to 17 June 2027; 17 quarterly instalments (principal), starting from 17 June 2023. |
| CTBC secured bank loan *(Note 2)* | 600,000 | 2.49% | From 27 June 2023 to 27 June 2026；5 semi-annual instalments (principal), starting from 27 June 2024. |
| CTBC secured bank loan *(Note 3)* | 52,500 | 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 | 189,273 | 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, 28 April 2025. Repay the remaining outstanding principal at maturity date with floating interest rate |
| CTBC secured bank loan *(Note 4)* | 174,610 | 6.68% | From 27 November 2022 to 27 November 2025；12 quarterly instalments (principal and interests), starting from 27 February 2023. |
| Subtotal | 1,839,579 | | |
| Less: unamortized issuance cost | (23,817) | | |
| Subtotal | 1,815,762 | | |
| Less: current portion | (630,502) | | |
| Total | $1,185,260 | | |

| Lenders | 31 December 2022 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---|---|---|
| Chang Hwa secured bank loan *(Note 1)* | $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 *(Note 2)* | 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 *(Note 3)* | 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 *(Note 4)* | 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 *(Note 5)* | 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 | | |

(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 a Facility Agreement at 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 by all the shares of TWi Pharmaceuticals, Inc. and was terminated on June 2023. Please refer to Note VIII for the 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:

①Current ratio shall not be less than 120%

②Financial liability ratio (financial liabilities over EBITDA) shall not be higher than 3.

③Interest coverage ratio (EBITDA over interest expense) shall not be less than 5.

④In 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.

There is no violation of the financial covenant at 31 December 2023.

(3) The secured loan entered between Bora Pharmaceutical Laboratories Inc. (the "Borrower") with CTBC Bank that expired in March 2021, has been extended to 30 June 2024, with a quarterly instalment of NT$17,500 thousand. The original financial covenants had been lifted.

(4) 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 31 December, 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:

①The 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%.

②The Guarantor's current ratio shall not be less than 120%.

③In 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 are 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 31 December 2023.

19. Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 are NT$93,275 thousand and NT$70,821 thousand, respectively.

Defined benefits plan

Bora Pharmaceutical Services Inc.

Bora Pharmaceutical Services Inc., a subsidiary of the Company, provides post-retirement medical benefits for employees who have completed ten years of service and are 55 years old. This post-retirement medical benefit scheme is a defined benefits plan which is funded on a pay-as-you-go basis by contributions from the Company and includes prescription drugs, extended health, vision, dental and life insurance benefits, and the plan was cancelled in 2023, which resulted in a loss of 8,411 thousand and was recognized in the consolidated statements of comprehensive income.

Pension costs recognized in profit or loss for the years ended 31 December 2023 and 2022:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Current period service costs *(Note)* | $- | $ 8,421 |
| Interest expense | - | 538 |
| Total | $- | $ 8,959 |

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

Changes in the defined benefit obligation and fair value of plan assets are as follows:

| | 31 December 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| Defined benefit obligation | $- | $ 12,389 | $8,453 |
| Plan assets at fair value | - | - | - |
| Provisions-non-current | $- | $12,389 | $8,453 |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

| | Defined benefit obligation | Fair value of plan assets | Benefit liability (asset) |
|---|---|---|---|
| As at 1 January 2022 | $8,453 | - | $8,453 |
| Current period service costs | 8,421 | - | 8,421 |
| Net interest expense (income) | 538 | - | 538 |
| Subtotal | 17,412 | - | 17,412 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | (4,811) | - | (4,811) |
| Experience adjustments | (535) | - | (535) |
| Remeasurement of the defined benefit assets | - | - | - |
| Subtotal | (5,346) | - | (5,346) |
| Benefit paid by the employer | - | - | - |
| Employer Contribution | - | - | - |
| Exchange differences | 323 | - | 323 |
| As at 31 December 2022 | 12,389 | - | 12,389 |
| Current period service costs | - | - | - |
| Net interest expense (income) | - | - | - |
| Past service cost and gains and losses arising from settlements | (8,411) | - | (8,411) |
| Subtotal | 3,978 | - | 3,978 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Return on defined benefit assets(excluding net interest expense (income)) | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | 11,570 | - | 11,570 |
| Subtotal | 11,570 | - | 11,570 |
| Benefits paid to employees | (16,245) | - | (16,245) |
| Exchange differences | 697 | - | 697 |
| As at 31 December 2023 | $- | $- | $- |

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Discount rate | - | 5.10% |
| Initial trend rate | - | 5.18% |
| Ultimate trend rate | - | 4.00% |

Sensitivity analysis when main actuarial assumption change was as follows:

| | For the years ended 31 December | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Defined benefit obligations | | Defined benefit obligations | |
| | Increase by | Decrease by | Increase by | Decrease by |
| Discount rate increase/ decrease by 1% | $- | $- | $2,158 | $(1,775) |
| Trend rate decrease/increase by 1% | - | - | 428 | (510) |

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

<u>TWi Pharmaceuticals, Inc.</u>

TWi Pharmaceuticals, Inc., a subsidiary of the Company, adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two year time deposits with the interest rates offered by local banks. Treasury Funds can be used 53 to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. As of 31 December 2023, TWi Pharmaceuticals, Inc. expects to contribute NT$0 to its defined benefit plan in 2024.

As of 31 December 2023 and 2022, the average duration of the defined benefits plan obligation are both 14 years.

Pension costs recognized in profit or loss are as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Current service cost | $396 | $- |
| Net interest on the net defined benefit liabilities (assets) | (53) | (24) |
| Total | $343 | $(24) |

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

| | 31 December 2023 | 31 December 2022 | 1January 2022 |
|---|---|---|---|
| Defined benefit obligation | $2,735 | $5,133 | $4,534 |
| Plan assets at fair value | (9,271) | (8,943) | (7,905) |
| Net defined benefit assets | $(6,536) | $(3,810) | $(3,371) |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

| | Defined benefit obligation | Fair value of plan assets | Benefit liability (asset) |
|---|---|---|---|
| As at 1 January 2022 | 4,534 | (7,905) | (3,371) |
| Pension costs recognized in profit or loss: | | | |
| Interest expense (revenue) | 32 | (55) | (23) |
| Subtotal | 4,566 | (7,960) | (3,394) |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | (422) | - | (422) |
| Experience adjustments | 989 | - | 989 |
| Remeasurement of the defined benefit assets | - | (587) | (587) |
| Subtotal | 5,133 | (8,547) | (3,414) |
| Employer Contribution | - | (396) | (396) |
| As at 31 December 2022 | $5,133 | $(8,943) | $(3,810) |
| Pension costs recognized in profit or loss: | | | |
| Current service cost | 396 | - | 396 |
| Net interest expense (income) | 72 | (125) | (53) |
| Subtotal | 5,601 | (9,068) | (3,467) |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | 37 | - | 37 |
| Experience adjustments | (2,903) | - | (2,903) |
| Remeasurement of the defined benefit assets | - | (23) | (23) |
| Subtotal | (2,866) | (23) | (2,889) |
| Employer Contribution | - | (180) | (180) |
| As at 31 December 2023 | $2,735 | $(9,271) | $(6,536) |

The principal assumptions used in determining the TWi Pharmaceuticals, Inc.'s defined benefit plan are shown below:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Discount rate | 1.40% | 1.40% |
| Expected rate of salary increases | 4.00% | 4.00% |

Sensitivity analysis when main actuarial assumption change was as follows:

| | For the years ended 31 December | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Defined benefit obligations | | Defined benefit obligations | |
| | Increase by | Decrease by | Increase by | Decrease by |
| Discount rate increase by 0.25% | $- | $(91) | $- | $(140) |
| Discount rate decrease by 0.25% | 95 | - | 146 | - |
| Future salary increase by 0.25% | 85 | - | 129 | - |
| Future salary decrease by 0.25% | - | (83) | - | (125) |

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

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

20. Provisions

| | Onerous contracts | Decommissioning, restoration and rehabilitation costs | Employee benefits | Total |
|---|---|---|---|---|
| 1 January 2023 | $311,484 | $- | $164,613 | $476,097 |
| Acquisitions through business combinations | - | 5,000 | 1,744 | 6,744 |
| Arising during the period | - | - | - | - |
| Utilized | (108,156) | - | (31,771) | (139,927) |
| Reversal during the period | - | - | (3,673) | (3,673) |
| Discount rate adjustment and unwinding of discount from the passage of time | - | - | 11,570 | 11,570 |
| Exchange differences | 6,779 | - | 3,738 | 10,517 |
| 31 December 2023 | $210,107 | $5,000 | $146,221 | $361,328 |

| | Onerous contracts | Decommissioning, restoration and rehabilitation costs | Employee benefits | Total |
|---|---|---|---|---|
| 1 January 2022 | $397,980 | $- | $154,206 | $552,186 |
| Acquisitions through business combinations | - | - | 3,880 | 3,880 |
| Arising during the period | - | - | 17,717 | 17,717 |
| Utilized | (106,880) | - | (14,648) | (121,528) |
| Discount rate adjustment and unwinding of discount from the passage of time | - | - | (5,399) | (5,399) |
| Exchange differences | 20,384 | - | 8,857 | 29,241 |
| 31 December 2022 | $311,484 | $- | $164,613 | $476,097 |
| | | | | |
| Current-31 December 2023 | $108,660 | $5,000 | $30,863 | $144,523 |
| Non-current-31 December 2023 | 101,447 | $- | $115,358 | $216,805 |
| | | | | |
| Current-31 December 2022 | $106,177 | $- | $28,204 | $134,381 |
| Non-current-31 December 2022 | $205,307 | $- | $136,409 | $341,716 |

Onerous contracts

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

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose from the costs incurring after the decommissioning of a facility in accordance with the term of the contract.

Employee benefits

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

21. Equity

(1) Common stock

① As of 31 December 2023 and 2022, the Company's authorized capital was NT$2,000,000 and NT$1,200,000 thousand, consisting of 200,000 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$1,014,128 thousand and NT$753,815 thousand consisting of 101,413 thousand shares and 75,382 thousand shares, respectively. Each share has one voting right and a right 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 Stock dividends of NT$68,522 thousand with par value at NT$10 per share was approved and 6,852 thousand common shares were authorized for issue by the Board of shareholders on 24 May 2022. The capital injection was approved by the Financial Supervisory Commission on 16 September 2022 and the amendment registration was completed.

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 as capital. All the converted shares have completed the registration process on 10 April 2023.

⑤ For the year ended 31 December 2023, the company's 2nd convertible bond amounted to NT$708,000 thousand had been converted to 2,480 thousand of ordinary shares with an amount of NT$24,796 thousand recognized as capital. All the converted shares have completed the registration process.

⑥ For the year ended 31 December 2023, the company's 3th convertible bond amounted to NT$200 thousand had been converted to 320 of ordinary shares with an amount of NT$3 thousand recognized as capital. The converted shares that have not completed the registration process were recognized as capital - advance receipts for ordinary share at 31 December 2023.

⑦ For the year ended 31 December 2023, the company's employee stock option holders have converted 185 thousand shares at the exercise price from NT$106.8 to NT$150.4 per share, of which 85 thousand shares amounted to NT$850 thousand have not completed the registration process. The converted shares that have not completed the registration process were recognized as capital - advance receipts for ordinary share at 31 December 2023.

⑧ Stock dividends 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.

⑨ As of 31 December 2023, there are 85 thousand shares amounted to NT$853 thousand recognized as capital - advance receipts for ordinary share.

(2) Capital surplus

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Additional paid-in capital | $936,839 | $896,503 |
| Conversion premium from convertible bonds | 908,017 | 179,574 |
| Employee stock option | 118,876 | 39,020 |
| Treasury stock | 40,683 | 35,315 |
| Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired/disposed of | 874,793 | 2,177 |
| Increase through changes in ownership interests in subsidiaries | 47,125 | - |
| Equity component of convertible bonds issued | 392,017 | 83,791 |
| Total | $3,318,350 | $1,236,380 |

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 year ended 31 December 2023: (Unit: thousand shares)

| Cause | Beginning balance | Addition | Decrease | Ending balance |
|---|---|---|---|---|
| Transfer to employees | 300 | - | (12) | 288 |

For the year ended 31 December 2022:

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

b. As of 31 December 2023 and 2022, the treasury stock held by the Company were NT$50,986 and NT$53,092 thousand, respectively, and the number of treasury stock held by the Company was 288 thousand and 300 thousand shares, respectively.

c. The treasury stock transferred by the Company to employees on 31 December 2023 was 12 thousand shares amounted to NT$2,124 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 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting on 7 March 2024 and shareholders' meeting on 6 June 2023, respectively, are as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Legal reserve | $303,014 | $139,065 | $- | $- |
| Special reserve (Reversal) | - | (23,919) | - | - |
| Common stock－cash dividend (Note) | 1,214,798 | 619,134 | 12 | 8 |
| Common stock－stock dividend (Note) | - | 231,410 | - | 3 |

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.26 for details on employees' compensation and remuneration to directors.

(5) Non-controlling interests

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $612,134 | $- |
| Profit attributable to non-controlling interests | 41,779 | 9,609 |
| Translation differences of foreign operations | (435) | - |
| Acquisition of new shares in a subsidiary not in proportionate to ownership interest | 29,375 | 577,662 |
| Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired/disposed of | 1,993,616 | 21,823 |
| Acquisition through business combinations | - | 1,004 |
| Issuance of employee stock option by subsidiaries | 7,215 | 2,036 |
| Distribution of cash dividend by subsidiaries | (2,660) | - |
| Ending balance | $2,681,024 | $612,134 |

22. 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, 1,000,000 and 1,000,000 units, respectively. Each unit entitles an optionee to subscribe for 1,000, 1,and 1 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 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 |
| 14 November 2023 | 10 | $608.0 |

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:

| | 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 |

| | 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 |

| | 2023 | |
|---|---|---|
| Dividend yield (%) | - | - |
| Expected volatility (%) | 48.72% ~ 49.56% | 48.72% ~ 49.56% |
| Risk-free interest rate (%) | 1.081% ~ 1.123% | 1.081% ~ 1.123% |
| Expected option life (Years) | 3.5 ~ 4.5 | 3.5 ~ 4.5 |
| Weighted average share price ($) | $646 | $608 |
| 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:

| | 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 | 545 | 645.3 | 982 | 261.1 |
| Forfeited | (50) | 225.6 | (102) | 197.5 |
| Exercised | (185) | 134.6 | (55) | 70.8 |
| Expired | - | - | (35) | 65.4 |
| Outstanding, ending | 2,035 | $300.4 | 1,725 | $225.2 |
| Exercisable, ending | 90 | - | 78 | - |

The information on the outstanding stock options as of 31 December 2023 and 2022, is as follows:

| | Range of exercise price per share | Weighted average remaining contractual life (Years) |
|---|---|---|
| As of 31 December 2023 share options outstanding | $106.8~$646 | 1.19~3.92 |
| As of 31 December 2022 share options outstanding | $140.3~$387.5 | 2.04~3.19 |

(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 depositary 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:

| | 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 | 5,187 | 28 |
| Forfeited | (397) | 28 | - | - |
| Exercised | - | - | - | - |
| Expired | - | - | - | - |
| Outstanding, ending | 4,886 | $28 | 5,187 | $28 |
| Exercisable, ending | 1,158 | - | - | - |

The information on the outstanding stock options as of 31 December 2023 and 2022, is as follows:

| | Range of exercise price per share | Weighted average remaining contractual life (Years) |
|---|---|---|
| As of 31 December 2023 share options outstanding | $28 | 2.31~2.68 |
| As of 31 December 2022 share options outstanding | $28 | 3.24~3.48 |

(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 | $48.4 |
| 1 February 2023 | 565 | $48.4 |

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:

| | 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) | 48.4 | - | - |
| Exercised | - | - | - | - |
| Expired | - | - | - | - |
| Outstanding, ending | 1,734 | $48.4 | - | $- |
| Exercisable, ending | - | - | - | - |

The information on the outstanding stock options as of 31 December 2023 and 2022, is as follows:

| | Range of exercise price per share | Weighted average remaining contractual life (Years) |
|---|---|---|
| As of 31 December 2023 share options outstanding | $48.4 | 3.25 |
| As of 31 December 2022 share options outstanding | - | - |

(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 years ended 31 December 2023 and 2022.

The expense recognized for employee services received during the years ended 31 December 2023 and 2022 is shown in the following table:

| | 2023 | 2022 |
|---|---|---|
| Total expense arising from equity-settled share-based payment transactions | $102,813 | $31,826 |

23. Operating revenue

Analysis of revenue from contracts with customers for the years ended 31 December 2023 and 2022 are as follows:

(1) Disaggregation of revenue

| | 2023 | 2022 |
|---|---|---|
| Revenue from contracts with customers | | |
| Commercial sales | $9,235,525 | $5,689,865 |
| CDMO – services and manufacturing | 4,951,059 | 4,796,110 |
| Others | 13,484 | 8,495 |
| Total | $14,200,068 | $10,494,470 |

| | 2023 | 2022 |
|---|---|---|
| Timing of revenue recognition: | | |
| At a point in time | $13,598,099 | $10,245,716 |
| Over time | 601,969 | 248,754 |
| Total | $14,200,068 | $10,494,470 |

(2) Contract assets – current

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| CDMO – services and manufacturing | $15,111 | $35,197 |

The significant changes in the Group's balances of contract assets for the year ended 31 December 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 year ended 31 December 2022 are mainly due to business combinations and the stage of completion assessed in accordance with the terms of the contracts.

(3) Contract liabilities

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Commercial sales | $44,189 | $14,866 |
| CDMO – services and manufacturing | 180,408 | 69,290 |
| Others | - | 5,720 |
| Total | $224,597 | $89,876 |
| Current | $224,597 | $85,692 |
| Non-current | - | $4,184 |
| Total | $224,597 | $89,876 |

The major changes in the Group's balances of contract liabilities for the year ended 31 December 2023 are mainly due to the increase in advance receipts, and the major changes in the balances of contract liabilities for the year ended 31 December 2022 are mainly due to business combinations and the increase in advance receipts.

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

| | Sales allowance and discount |
|---|---|
| Balance as of 1 January 2023 | $2,023,565 |
| Addition/(reversal) | 9,880,016 |
| Payment | (10,039,200) |
| Exchange differences | 2,520 |
| Balance as of 31 December 2023 | $1,866,901 |
| | |
| Balance as of 1 January 2022 | $65,372 |
| Business combinations | 1,794,855 |
| Addition/(reversal) | 3,972,208 |
| Payment | (3,830,924) |
| Exchange differences | 22,054 |
| Balance as of 31 December 2022 | $2,023,565 |

Refund liabilities represents the estimated sales discounts and allowance.

24. Expected credit losses/ (gains)

| | 2023 | 2022 |
|---|---|---|
| Operating expenses – expected credit losses/(gains) | | |
| Accounts receivable | $6,547 | $5,919 |
| Other receivables | (342) | - |
| Total | $6,205 | $5,919 |

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 at 31 December 2023 and 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 31 December 2023

| Group 1 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $3,207,333 | $15,347 | $687 | $957 | $66 | $852 | $3,225,242 |
| Loss rate | 0% | 0% | 0% | 0% | 0% | 0% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - |
| Net | $3,207,333 | $15,347 | $687 | $957 | $66 | $852 | $3,225,242 |

| Group 2 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $720,338 | $58,752 | $7,924 | $3,857 | $1,340 | $13,152 | $805,363 |
| Loss rate | 0.03%~ 0.07% | 0.03%~ 1.15% | 0.03%~ 10.10% | 0.03%~ 14.96% | 0.03%~ 100% | 0.03%~ 100% | |
| Lifetime expected credit losses | (468) | (987) | (1,429) | (163) | (1,209) | (13,152) | (17,408) |
| Net | $719,870 | $57,765 | $6,495 | $3,694 | $131 | $- | $787,955 |
| Receivables, net | | | | | | | $4,013,197 |

As of 31 December 2022

| Group 1 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| 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 | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $802,115 | $14,015 | $23,365 | $34,343, | $474 | $40,300 | $914,612 |
| Loss rate | 0.01%~ 1.85% | 7.23%~ 100% | 0.01%~ 100% | 0.01%~ 100% | 100% | 16.79%~ 100% | |
| Lifetime expected credit losses | (591) | (1,013) | (1,326) | (143) | (474) | (6,767) | (10,314) |
| Net | $801,524 | $13,002 | $22,039 | $34,200 | $- | $33,533 | $904,298 |
| Receivables, net | | | | | | | $6,084,950 |

The movement of loss allowance for accounts receivable for the years ended 31 December 2023 and 2022 is as follows:

| | Accounts receivable | Contract assets |
|---|---|---|
| Balance as of 1 January 2023 | $10,314 | $- |
| Provision/(reversal) | 483 | - |
| Others | 6,547 | - |
| Exchange differences | 64 | - |
| Balance as of 31 December 2023 | $17,408 | $- |

| | Accounts receivable | Contract assets |
|---|---|---|
| Balance as of 1 January 2022 | $2,294 | $- |
| Business combinations | 2,104 | - |
| Provision/(reversal) | 5,919 | - |
| Exchange differences | (3) | |
| Balance as of 31 December 2022 | $10,314 | $- |

25. 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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Land | $279,326 | $294,523 |
| Buildings | 556,674 | 352,710 |
| Transportation equipment | 4,768 | 7,963 |
| Decommissioning liabilities | 1,818 | - |
| Total | $842,586 | $655,196 |

During the year ended 31 December 2023, the Group's additions to right-of-use assets from acquisitions amounting to NT$264 thousand and amounting to NT$264,786 thousand through business combinations, respectively.

During the year ended 31 December 2022, the Group's additions to right-of-use assets from acquisitions amounting to NT$169,970 thousand and amounting to NT$205,428 thousand through business combinations, respectively.

(b) Lease liabilities

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Lease liabilities | $869,372 | $672,186 |
| Current | $106,039 | $75,307 |
| Non-current | $763,333 | $596,879 |

Please refer to Note VI.26 for the interest on lease liabilities recognized during the years ended 31 December 2023 and 2022 and refer to Note XII.5 for more details on the liquidity risk management analysis for lease liabilities.

B. Amounts recognized in the consolidated statements of comprehensive income

Depreciation charge for right-of-use assets

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Land | $15,196 | $1,799 |
| Buildings | 59,407 | 35,497 |
| Transportation equipment | 3,511 | 1,244 |
| Decommissioning liabilities | 303 | - |
| Total | $78,417 | $38,540 |

C. Income and costs relating to leasing activities

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Expenses relating to short-term leases | $7,045 | $3,378 |
| Expenses relating to leases of low-value assets (Exclude expenses relating to short-term leases of low-value assets) | 1,429 | 359 |

D. Cash outflow relating to leasing activities

During the years ended 31 December 2023 and 2022, the Group's total cash outflows for leases amounted to NT$95,878 thousand and NT$49,693 thousand, respectively.

(2) Group as a lessor

Please refer to Note VI.11 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.

| | For the years ended 31 December | |
|---|---|---|
| | 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 | $9,142 | $8,990 |

Please refer to Note VI.1 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 31 December 2023 and 2022 are as follow:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Not later than one year | $8,991 | $8,886 |
| Later than one year but not later than two years | 8,991 | 8,571 |
| Later than two years but not later than three years | 8,991 | 8,571 |
| Later than three years but not later than four years | 8,991 | 8,571 |
| Later than four years but not later than five years | 7,467 | 8,571 |
| Later than five years | - | 7,257 |
| Total | $43,431 | $50,427 |

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

| Function / Character | For the years ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense: | | | | | | |
| Wages and salaries | $1,327,545 | $786,409 | $2,113,954 | $1,006,747 | $467,600 | $1,474,347 |
| Labor and health insurance | 90,227 | 46,469 | 136,696 | 86,588 | 16,111 | 102,699 |
| Pension costs | 72,199 | 21,418 | 93,617 | 54,723 | 16,098 | 70,821 |
| Other employee benefits expense | 64,251 | 35,655 | 99,906 | 74,813 | 24,078 | 98,891 |
| Depreciation | 363,936 | 56,152 | 420,088 | 217,551 | 41,223 | 258,774 |
| Amortization | 156,967 | 29,231 | 186,198 | 55,239 | 11,173 | 66,412 |

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 year ended 31 December 2023 to be NT$61,228 thousand and NT$30,644 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 year ended 31 December 2022 to be NT$37,829 thousand and NT$15,131 thousand, respectively.

A resolution was approved at a Board of Directors meeting held on 7 March 2024 to distribute NT$61,288 thousand and NT$30,644 thousand in cash as employees' compensation and remuneration to directors for year 2023, respectively. There is no differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2023.

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.

27. Non-operating income and expenses

(1) Other revenue

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Interest income | $62,954 | $11,364 |
| Others | 30,438 | 19,320 |
| Total | $93,392 | $30,684 |

(2) Other gains and losses

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| (Losses) on disposal of property, plant and equipment | $(4,997) | $(2,357) |
| Foreign exchange (losses) gains | (67,505) | 47,923 |
| Gains (Losses) on financial assets at fair value through profit or loss (Note 1) | (1,044,183) | (47,787) |
| Others gains (losses) | 9,539 | (1,911) |
| Total | $(1,107,146) | $(4,132) |

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 acquisition date. If the amount of contingent consideration changes subsequent to the acquisition date, gains and losses are recognized as (losses) or gain on financial assets at fair value through profit or loss. Please refer to Note VI.31 for more details.

(3) Financial costs

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Interest expenses from bank borrowings | $141,238 | $95,580 |
| Interest expenses from bonds payable | 16,770 | 3,825 |
| Interest expenses from lease liabilities | 12,657 | 8,729 |
| Others | 574 | 593 |
| Total | $171,239 | $108,727 |

28. Components of other comprehensive income ("OCI")

As of 31 December 2023

| | Arising | Reclassification | before tax | Tax benefit (Expense) | Net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Remeasurement of the defined benefit plan | $(8,681) | $- | $(8,681) | $2,489 | $(6,192) |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Translation differences of foreign operations | 50,758 | - | 50,758 | (10,287) | 40,471 |
| Total comprehensive income | $42,077 | $- | $42,077 | $(7,798) | $34,279 |

As of 31 December 2022

| | Arising | Reclassification | before tax | Tax (Expense) | Net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Remeasurement of the defined benefit plan | $5,399 | $- | $5,399 | $(1,430) | $3,969 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Translation differences of foreign operations | 73,805 | - | 73,805 | (14,761) | 59,044 |
| Total comprehensive income | $79,204 | $- | $79,204 | $(16,191) | $63,013 |

29. Income tax

The major components of income tax expense (income) for the years ended 31 December 2023 and 2022 are as follows:

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

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Current income tax expense (income): | | |
| Current income tax expense | $1,351,845 | $316,375 |
| Adjustments in respect of prior periods | (15,047) | (1,938) |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | (553,109) | 89,974 |
| Deferred tax expense (income) relating to origination and (reversal) of tax loss and tax credit | 208,536 | 34,065 |
| Total income tax expense | $992,225 | $438,476 |

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

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Deferred tax expense (income): | | |
| Translation differences of foreign operations | $10,287 | $14,761 |
| Remeasurement of the defined benefit plan | (2,489) | 1,434 |
| Income tax relating to other comprehensive income | $7,798 | $16,195 |

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

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Net income before income tax | $4,064,146 | $1,840,001 |
| Income tax expense at the statutory rate | $1,910,349 | $860,441 |
| Unused tax losses | 179,287 | - |
| Revenues exempt from income tax | (760,323) | (258,099) |
| Expenses disallowed for tax purposes | 6,588 | 8,245 |
| Change in deferred income assets/liabilities | (614,677) | (185,867) |
| Tax on undistributed retained earnings | 16,530 | 15,694 |
| Prior year income tax (over)underestimation | (15,047) | (1,938) |
| Others | 269,518 | - |
| Total income tax expense recognized in profit or loss | $992,225 | $438,476 |

(4) Movements of deferred tax assets (liabilities) are as follows:

For the year ended 31 December 2023

| | 1 January 2023 | Recognized in profit or loss | Recognized in other comprehensive income | Recognized in Equity | Exchange differences | 31 December 2023 |
|---|---|---|---|---|---|---|
| Temporary differences | | | | | | |
| Unrealized loss on inventories | $24,846 | $8,478 | $- | $- | $(93) | $33,231 |
| Unrealized sales returns and discounts | 105,814 | 63,976 | - | - | (944) | 168,846 |
| Equity element of convertible bond | (23,670) | - | - | $(74,334) | - | (98,004) |
| Unrealized expense | 113,932 | 16,323 | - | - | (252) | 130,003 |
| Land Value Increment Tax | (54,908) | - | - | - | - | (54,908) |
| Foreign investment income under equity method | (355,833) | 127,840 | - | - | - | (227,993) |
| Business combination – negative goodwill | (60,931) | - | - | - | - | (60,931) |
| Impairment loss of property, plant and equipment | 247,902 | (23,075) | - | - | - | 224,827 |
| Exchange differences on translation of foreign operations | (10,636) | - | (10,287) | - | - | (20,923) |
| Fair value adjustments arising in business combinations | 121,143 | (43,236) | 3,066 | - | 2,769 | 83,742 |
| Depreciation of property, plant and equipment | (345,165) | 32,197 | - | - | (7,920) | (320,888) |
| Unrealized intragroup profits and losses | 54,984 | 335,830 | - | - | - | 390,814 |
| Others | 467 | 34,777 | (577) | - | 91 | 34,758 |
| Unused tax losses | 192,842 | (132,537) | - | - | - | 60,305 |
| Unused tax credits | 76,000 | (76,000) | - | - | - | - |
| Deferred tax (expense) | | $344,573 | $(7,798) | $(74,334) | $(6,349) | |
| Net deferred tax assets/(liabilities) | $86,787 | | | | | $342,879 |
| | | | | | | |
| Balance sheets: | | | | | | |
| Deferred tax assets | $829,636 | | | | | $1,044,615 |
| Deferred tax liabilities | $742,849 | | | | | $701,736 |

For the year ended 31 December 2023

| | 1 January 2022 | Recognized in profit or loss | Recognized in other comprehensive income | Acquired in business combinations | Recognized in Equity | Exchange differences | 31 December 2022 |
|---|---|---|---|---|---|---|---|
| Temporary differences | | | | | | | |
| Unrealized loss on inventories | $3,245 | $197 | $- | $21,351 | $- | $53 | $24,846 |
| Unrealized sales returns and discounts | 1,631 | 28,086 | - | 74,542 | - | 1,555 | 105,814 |
| Equity element of convertiblebond | - | - | - | - | (23,670) | - | (23,670) |
| Unrealizedexpense | 2,048 | (956) | - | 111,902 | - | 938 | 113,932 |
| Land Value Increment Tax | - | - | - | (54,908) | - | - | (54,908) |
| Foreign investment income under equity method | (207,819) | (148,014) | - | - | - | - | (355,833) |
| Business combination – negative goodwill | (60,931) | - | - | - | - | - | (60,931) |
| Impairment loss of property, plant and equipment | 213,631 | 22,264 | - | 12,007 | - | - | 247,902 |
| Exchange differences on translation of foreign operations | 5,889 | - | (14,761) | (1,764) | - | - | (10,636) |
| Fair value adjustments arising in business combinations | 140,930 | (24,751) | (1,430) | - | - | 6,394 | 121,143 |
| Depreciation of property, plant and equipment | (482,741) | 160,175 | - | - | - | (22,599) | (345,165) |
| Unrealized intragroup profits and losses | 208 | (39,951) | - | 94,727 | - | - | 54,984 |
| Others | 2,615 | (45,997) | - | 45,628 | (4) | (1,775) | 467 |
| Unused tax losses | 15,300 | (75,092) | - | 252,634 | - | - | 192,842 |
| Unused tax credits | - | - | - | 76,000 | - | - | 76,000 |
| Deferred tax income/ (expense) | | $(124,039) | $(16,191) | $632,119 | (23,674) | $(15,434) | |
| Net deferred tax assets/(liabilities) | $(365,994) | | | | | | $86,787 |
| Balance sheets: | | | | | | | |
| Deferred tax assets | $243,775 | | | | | | $829,636 |
| Deferred tax liabilities | $609,769 | | | | | | $742,849 |

The following table contains information of the unused tax losses of the Group:

| Year | Tax losses for the period (Note) | Unused tax losses as of 31 December 2023 | Unused tax losses as of 31 December 2022 | Expiration year |
|---|---|---|---|---|
| 2018 | 495,447 | 164,826 | 366,501 | 2028 |
| 2019 | 159,599 | 115,798 | 115,798 | 2029 |
| 2020 | 204,227 | 149,975 | 170,629 | 2030 |
| 2021 | 660,763 | 158,070 | 597,216 | 2031 |
| 2022 | 246,868 | 246,841 | 94,522 | 2032 |
| 2023 | 121,547 | 121,547 | - | 2033 |
| | | $957,057 | $1,344,666 | |

Note: According to Article 38 of the Business Mergers and Acquisitions Act and Decree No. 0920454432 issued by the MOF on 13 August 2003 with regards to 5 years loss carryforwards, for the loss determined by the authority when a dissolved profit-seeking enterprise in a division made its current final report in accordance with Article 75 of the Income Tax Act, the surviving company or the newly incorporated company after the division may deduct the loss from its net profit of the current year upon the year the loss takes place. However, such deductible loss is limited to the amount calculated by the stock split ratio multiplies the shareholding ratio of the surviving company or the newly incorporated company held by each shareholder due to the division.

(5) Unrecognized deferred tax assets

As of 31 December 2023 and 2022, deferred tax assets have not been recognized amounted to NT$182,913 thousand and NT$144,650 thousand, respectively.

(6) The assessment of income tax returns

As of 31 December 2023, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2021 |
| 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（Note 1) |
| 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 |
| SunWay Biotech Co., LTD. | Assessed and approved up to 2021 |
| Chen Run Marketing Co., Ltd. | Assessed and approved up to 2021 |

Note 1: 2020 income tax return has not approved.
Note 2: Bora Pharmaceutical and Consumer Health Inc. was set up in June 2022. 2022 initial year tax return has not assessed and approved at 31 December 2023.

## 30. Earnings per share

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

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

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| (1) Basic earnings per share | | |
| Profit attributable to ordinary shareholders of the Company (in thousand NT$) | $3,030,142 | $1,391,916 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 100,341 | 97,600 |
| Basic earnings per share (NT$) | $30.20 | $14.26 |

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| (2) Diluted earnings per share | | |
| Profit attributable to ordinary shareholders of the Company (in thousand NT$) | $3,030,142 | $1,391,916 |
| Interest expense from convertible bonds (in thousand NT$) | 13,416 | 3,060 |
| Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$) | 3,043,558 | 1,394,976 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 100,341 | 97,600 |
| Effect of dilution: | | |
| Employee compensation－stock (in thousands) | 107 | 113 |
| Employee stock options (in thousands) | 1,046 | 291 |
| Convertible bonds (in thousands) | 2,066 | 694 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 103,560 | 98,698 |
| Diluted earnings per share (NT$) | $29.39 | $14.13 |

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.

31. 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:

| | Fair value recognized on the acquisition date |
|---|---|
| Property, plant and equipment: | |
| Machinery and equipment | $175,042 |
| Testing equipment | 169,083 |
| Leasehold improvements | 169,307 |
| Others | 7,541 |
| Subtotal | 520,973 |
| Intangible assets | 31,835 |
| Others assets | 9,514 |
| Identifiable net assets at fair value | $562,322 |
| | |
| Goodwill is as follows: | |
| Purchase consideration | $1,491,203 |
| Less: identifiable net assets at fair value | (562,322) |
| Goodwill | $928,881 |

Acquisition consideration

| | |
|---|---|
| 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 | $1,491,203 |
| | |
| Analysis of cash flows on acquisition: | |
| Net cash flow on acquisition | $(1,432,552) |

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

The purchase considerations of this acquisition includes a holdback of US$2,000 thousand which was 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. There is no subsequent payment because Bora Bio did not achieve the Target Revenue threshold.

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:

| | Fair value recognized on the acquisition date |
|---|---|
| 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 | 10,767,149 |
| | |
| 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 | 4,547,184 |
| Identifiable net assets | $6,219,965 |

| | |
|---|---|
| Goodwill is as follows: | |
| Purchase considerations | $6,274,670 |
| Less: identifiable net assets at fair value | (6,219,965) |
| Goodwill | $54,705 |

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 | $6,274,670 |

| | |
|---|---|
| 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 | $(3,066,683) |

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 31 December 2023, US$15,000 thousand was paid and outstanding balance of US$13,250 thousand (NT$406,841 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 31 December 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$63,033 thousand (NT$1,935,436 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. 10 for the reconciliation of contingent considerations.

Acquisition of SunWay Biotech Co., LTD. and its subsidiaries (the "Sunway Group")

In order to enhance the efficiency of research and development and expand the portfolio of health care products, the Company's board of directors resolved on August 21, 2023, to acquire 21,257 thousand shares (35.79% of equity interests, approximately) of SunWay Biotech Co., LTD. in exchange for all the Company's equity interest of Bora Health Inc. Upon the completion of share conversion effective on November 1, 2023, the Company became the single largest shareholder of SunWay Biotech Co., LTD. This transaction accounts for a reverse acquisition according to IFRS 3 "*Business Combination*". For the acquisition, SunWay Biotech Co., LTD. is a legal acquirer (accounting acquiree) while Bora Health Inc. is the legal acquiree (accounting acquirer).

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

| | Fair value recognized at the acquisition date (Provisional amount) |
|---|---|
| Asset: | |
| Cash and cash equivalents | $288,423 |
| Financial assets at amortized cost - current | 4,800 |
| Accounts receivable and Accounts receivable- Related parties | 48,014 |
| Inventories | 84,817 |
| Prepayments | 6,123 |
| Other current assets - current | 327 |
| Financial assets measured at fair value through other comprehensive income, non-current | 7,758 |
| Property, plant and equipment | 43,280 |
| Right-of-use assets | 264,788 |
| Intangible assets | 574,472 |
| Prepayment for equipments | 70,783 |
| Other non-current assets | 15,772 |
| Subtotal | 1,409,357 |
| | |
| Liabilities | |
| Contract liabilities | $ 660 |
| Notes payable and Accounts payable | 14,734 |
| Other payables | 26,904 |
| Income tax payable | 15,845 |
| Other current liabilities - current | 6,762 |
| Lease liabilities - non-current | 270,890 |
| Other non-current liabilities | 4,885 |
| Subtotal | 340,680 |
| Identifiable net assets | $1,068,677 |

| | |
|---|---|
| Goodwill is as follows: | |
| Purchase considerations | $2,863,379 |
| Non-controlling interests | 3,101 |
| Less: identifiable net assets at fair value | (1,068,677) |
| Goodwill | $1,797,803 |

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

The Group has engaged an independent 3rd party professional for the valuation of the identified net assets. As of 31 December 2023, the Group reports the fair value of the identified net assets at a provisional amounts as the 3rd party report is incomplete at the approval date for the Group's 2023 consolidated financial statements.

The operating revenue and net income before income tax included in the consolidated statement of comprehensive income for the period from acquisition date (1 November 2023) to 31 December 2023 contributed by Sunway Group was $43,382 thousand and $1,793 thousand, respectively. If the acquisition date was 1 January 2023, the operating revenue and net income before income tax of the Group would be $14,452,271 thousand and $4,095,479, respectively. The pro forma information is based on that the acquisition date is 1 January 2024 and apply the same assumption for the provisional amount of acquired net assets at acquisition date. The information is for supplemental reference purpose only which does not reflect the Group's actual operating revenue or financial performance after the acquisition and shall not be used for future projection of the Group.

## 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 (NOTE 1) |
| 3T TECHNOLOGY CO., LTD. | Substantive related party (NOTE 2) |

NOTE 1: Hoan Pharmaceuticals, Ltd. is not a substantial related party since November 2023. Therefore, the Group only disclose the transactions with Hoan Pharmaceuticals, Ltd. occurred before 1November 2023.

NOTE 2: The Group completed the acquisition of SunWay Biotech Co., LTD. on 1 November 2023. Since then, SunWay Biotech Co., LTD. and its subsidiaries have been included in the consolidated financial statements and 3T TECHNOLOGY CO., LTD. became the Group's substantive related party. Therefore, the Group only discloses the transactions with 3T TECHNOLOGY CO., LTD. after 1 November 2023.

Significant transactions with the related parties

1. Operating revenue

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Hoan Pharmaceuticals, Ltd. | $34,779 | $35,419 |
| 3T TECHNOLOGY Co., Ltd. | 40,740 | - |
| Total | $75,519 | $35,419 |

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 60 to 120 days, which is close to the term offered to third parties.

2. Purchases

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Hoan Pharmaceuticals, Ltd. | $71,876 | $68,778 |

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 parties

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $- | $19,707 |
| 3T TECHNOLOGY Co., Ltd. | 68,290 | - |
| Total | 68,290 | 19,707 |
| Less: loss allowance | - | - |
| Net | $68,290 | $19,707 |

4. Accounts payable -related party

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $- | $25,031 |

5. Sales and marketing expenses

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Hoan Pharmaceuticals, Ltd. | $12,925 | $10,409 |

6. Key management personnel compensation

| | For the years ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $85,307 | $37,190 |
| Post-employment benefits | 450 | 238 |
| Total | $85,757 | $37,428 |

## VIII. Assets Pledged as Security

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

| Items | Carrying amount 31 December 2023 | Carrying amount 31 December 2022 | Secured liabilities |
|---|---|---|---|
| Financial assets measured at amortized cost | $21,176 | $232,869 | Customs deposit; guarantee deposit for corporate credit card, short-term loans and long-term loans |
| Property, plant and equipment - land | 2,204,356 | 2,423,373 | Short-term loans and long-term loans |
| Property, plant and equipment - buildings | 813,467 | 1,414,086 | Short-term loans and long-term loans |
| Investment properties | 17,018 | 17,626 | long-term loans |
| Total | $3,056,017 | $4,087,954 | |

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

In order to strengthen CDMO business, Bora Pharmaceutical Holding Inc., a 100% indirectly owned subsidiary of the Company, purchases from Sawai Group Holdings Co., Ltd. (the “Sawai Japan”), all of Sawai Japan’s right, title and interest in and to the shares of Sawai America Holding, Inc. (the “SAH”) where, SAH owns 80% of the outstanding limited liability company interest of, Sawai America LLC (the “SAL”) and purchase 20% of limited liability company interest of SAL from Sumitomo Corporation of Americas (the “Sumitomo”) with total purchase price of USD $210,000 thousand (approximately NT$6,610,000 thousand). As SAL is the beneficial owner of all the outstanding limited liability company interest in Upsher-Smith Laboratories, LLC (the “USL”), the Company will own 100% of USL upon the completion of the transactions.

XII. Others

1. Financial instruments

| Financial assets | As of 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets measured at fair value through profit or loss: | | |
| Mandatorily measured at fair value through profit or loss | $- | $2,350 |
| Financial assets measured at fair value through other comprehensive income | 7,758 | - |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents (exclude cash on hand) | 3,052,260 | 3,280,447 |
| Financial assets measured at amortized cost | 356,127 | 309,644 |
| Notes receivable | 54,323 | 36,900 |
| Accounts receivable (include related parties) | 3,958,874 | 6,048,050 |
| Other receivables | 82,614 | 286,376 |
| Refundable deposits | 44,111 | 38,298 |
| Subtotal | 7,548,309 | 9,999,715 |
| Total | $7,556,067 | $10,002,065 |

| Financial liabilities | As of 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Financial liabilities measured at amortized cost: | | |
| Short-term loans | $767,508 | $2,161,065 |
| Accounts and other payables (including amount recognized in other non-current liabilities) | 2,129,814 | 4,754,749 |
| Bonds payable | 1,538,361 | 642,363 |
| Long-term loans (including current portion) | 1,815,762 | 4,120,101 |
| Lease liabilities | 869,372 | 672,186 |
| Subtotal | 7,120,817 | 12,350,464 |
| Financial liabilities at fair value through profit or loss: | | |
| Held for trading | 9,009 | 501 |
| Contingent considerations from business combinations | 1,935,436 | 1,623,181 |
| Subtotal | 1,944,445 | 1,623,682 |
| Total | $9,065,262 | $13,974,146 |

2. Financial risk management objectives and policies

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

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

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise 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 years ended 31 December 2023 and 2022 will be increased/decreased by NT$20,951 thousand and decreased/increased NT$13,821 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 years ended 31 December 2023 and 2022 to decrease by NT$1,344 thousand and NT$4,588 thousand, respectively.

If all other factors remain, while the interest rate declines, the impact on profit and loss performance for the years ended 31 December 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 receivable) and from its financing activities, including bank deposits and other financial instruments.

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

As of 31 December 2023 and 2022, accounts receivable from top ten customers represent 90% and 74% 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

| | <= 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| 31 December 2023 | | | | | |
| Borrowings | $1,446,804 | $878,394 | $112,747 | $277,753 | $2,715,698 |
| Accounts and other payables | 1,907,203 | 225,889 | - | - | 2,133,092 |
| Convertible bonds | - | - | 1,699,800 | - | 1,699,800 |
| Lease liabilities (Note) | 112,489 | 184,928 | 119,527 | 586,674 | 1,003,618 |

| | <= 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| 31 December 2022 | | | | | |
| Borrowings | $2,821,807 | $2,176,352 | $1,268,142 | $321,735 | $6,588,036 |
| Accounts and other payables | 4,347,841 | 406,908 | - | - | 4,754,749 |
| Convertible bonds | - | - | 708,000 | - | 708,000 |
| Lease liabilities (Note) | 82,168 | 162,196 | 130,251 | 400,248 | 774,863 |

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

| | Maturities | | | | | |
|---|---|---|---|---|---|---|
| | Less than 5 year | 6 to 10 years | 11 to 15 years | 16 to 20 years | >21 years | Total |
| 31 December 2023 | $416,944 | $206,582 | $210,058 | $84,071 | $85,963 | $1,003,618 |
| 31 December 2022 | $374,615 | $112,251 | $112,251 | $77,504 | $98,242 | $774,863 |

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

| | Short-term loans | Long-term loans | Leases liabilities | Bonds Payable | Total liabilities from financing activities |
|---|---|---|---|---|---|
| 1 January 2023 | $2,161,065 | $4,120,101 | $672,186 | $642,363 | $7,595,715 |
| Cash flows | (1,397,782) | (2,320,136) | (74,747) | 2,023,360 | (1,769,305) |
| Non-cash changes | | | | | |
| Acquisitions | - | - | 270,890 | - | 270,890 |
| Conversion | - | - | - | (1,135,802) | (1,135,802) |
| Others | 4,225 | 15,797 | 1,043 | 8,440 | 29,505 |
| 31 December 2023 | $767,508 | $1,815,762 | $869,372 | $1,538,361 | $4,991,003 |

Reconciliation of liabilities for the year ended 31 December 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 | 772,327 | 2,830,800 | (37,227) | 844,998 | 4,410,898 |
| Non-cash changes | | | | | |
| Acquisitions | 720,000 | - | 213,704 | - | 933,704 |
| Conversion | - | - | - | (201,820) | (201,820) |
| Others | 23,263 | 39,116 | 172,200 | (815) | 233,764 |
| 31 December 2022 | $2,161,065 | $4,120,101 | $672,186 | $642,363 | $7,595,715 |

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 | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| Financial liabilities: | | |
| Bonds payable | $1,538,361 | $642,363 |

| | Carrying amount as of | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| Financial liabilities: | | |
| Bonds payable | $1,538,829 | $657,166 |

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note XII.10 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 31 December 2023 and 2022 is as follows:

<u>Forward currency contracts</u>

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

| Items (by contract) | Notional Amount | Contract Period |
| --- | --- | --- |
| As of 31 December 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 |

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:

31 December 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets measured at fair value through other comprehensive income: | | | | |
| Equity instruments | $- | $- | $7,758 | $7,758 |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss: | | | | |
| Embedded derivatives | $- | $- | $9,009 | $9,009 |
| Contingent considerations from business combinations | - | - | 1,935,436 | 1,935,436 |
| Total | $- | $- | $1,944,445 | $1,944,445 |

31 December 2022:

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| 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 | $- | $501 | $1,623,181 | $1,623,682 |

Transfers between Level 1 and Level 2 during the period

During the nine months ended 31 December 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 31 December 2023:

| | Financial assets (liabilities) Measured at fair value through profit or loss | |
|---|---|---|
| | Embedded derivatives | Contingent considerations |
| As of 1 January 2023 | $2,336 | $(1,623,181) |
| Disposal/settlements | - | 770,684 |
| Acquisition/issuance | (8,330) | - |
| Gains (losses) recognized in profit or loss: | | |
| (presented in "Net loss on financial assets or liabilities measured at fair value through profit or loss") | (3,015) | (1,041,623) |
| Exchange differences | - | (41,316) |
| As of 31 December 2023 | $(9,009) | $(1,935,436) |

For the period from 1 January 2022 to 31 December 2022:

| | Financial liabilities Measured at fair value through profit or loss | |
|---|---|---|
| | Embedded derivatives | Contingent considerations |
| As of 1 January 2023 | $- | $- |
| Acquisition/issuance | (4,640) | (1,558,968) |
| Gains (losses) recognized in profit or loss: | | |
| (presented in "other gains or losses") | 6,976 | (64,213) |
| As of 31 December 2023 | $2,336 | $(1,623,181) |

Information on significant unobservable inputs to valuation

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

31 December 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 |
| Stocks | Market approach | discount for lack of marketability | 34.16% | 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$776 thousand |
| Financial liabilities: | | | | | |
| At fair value through profit and loss: | | | | | |
| Embedded derivatives | Binomial tree pricing method for convertible bond | Volatility | 50.90% | 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 an decrease by NT$510 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 an decrease of NT$3,080 thousand or an increase of NT$3,135 thousand in the Group's profit or loss |

31 December 2022:

| | 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$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 an decrease by NT$142 thousand in the Group's profit or loss |
| Financial liabilities: | | | | | |
| At fair value through profit and 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 an decrease of NT$16,060 thousand or an increase of NT$16,438 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

31 December 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $53,094 | $53,094 |

31 December 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $54,405 | $54,405 |

10. Significant assets and liabilities denominated in foreign currencies

Unit: thousands

| | 31 December 2023 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $165,379 | 30.71 | $5,078,789 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $97,156 | 30.71 | $2,983,661 |

| | 31 December 2022 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $43,430 | 30.71 | $1,333,736 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $88,420 | 30.71 | $2,715,381 |

The Group mainly uses USD as transaction currency. The Group only disclosures monetary financial assets and financial liabilities of USD. For the years ended 31 December 2023 and 2022, the foreign exchange (loss) gain on monetary financial assets and financial liabilities amounted to NT$(67,505) thousand and NT$47,923 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 for the comparison of the consolidated financial statements.

XIII. <u>Other Disclosure</u>

1. Information at significant transactions
   (a) Financing provided to others: Please refer to Table 2.
   (b) Endorsement/Guarantee provided to others: Please refer to Table 3.
   (c) Marketable securities held at the end of the reporting period: Please refer to Table 4.
   (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the paid-in capital: Please refer to Table 5.
   (e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the paid-in capital: None.
   (f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of paid-in capital: None.
   (g) Total purchases from or sales to related parties which exceeding the lower of NT$100 million or 20 percent of paid-in capital: Please refer to Table 6.
   (h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of paid-in capital: Please refer to Table 7.
   (i) Financial instruments and derivative transactions: Please refer to Note VI.2 and Note VI.15.
   (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Table 1.

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

3. Investment in Mainland China: Please refer to Table 9.

4. Information on major shareholders: Please refer to Table 10.

XIV. <u>Segment information</u>

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

Commercial 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.

Year ended 31 December 2023

| | Commercial Sales segment | CDMO segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $9,235,525 | $4,951,059 | $13,484 | $- | $14,200,068 |
| Inter-segment (Note) | 15,608 | 485,689 | 259,891 | (761,188) | - |
| Total revenue | $9,251,133 | $5,436,748 | $273,375 | $(761,188) | $14,200,068 |
| Segment profit | $4,282,227 | $1,186,054 | $(1,307,859) | $(96,276) | $4,064,146 |

Year ended 31 December 2022

| | Commercial Sales segment | CDMO segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $5,689,865 | $4,796,110 | $8,495 | $- | $10,494,470 |
| Inter-segment (Note) | 70,676 | 38,968 | 194,353 | (303,997) | - |
| Total revenue | $5,760,541 | $4,835,078 | $202,848 | $(303,997) | $10,494,470 |
| Segment profit | $1,033,788 | $1,102,137 | $(263,834) | $(32,090) | $1,840,001 |

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

2. Product information:

| Product | For the years ended 31 December 2023 | 2022 |
|---|---|---|
| Sale for pharmaceuticals, generic and healthcare products | $9,251,133 | $5,760,541 |
| CDMO | 5,436,748 | 4,835,078 |
| Others | 273,375 | 202,847 |
| Adjustment and elimination | (761,188) | (303,996) |
| Total | $14,200,068 | $10,494,470 |

3. Geographic information:

Revenue from external clients:

| Country | For the years ended 31 December 2023 | 2022 |
|---|---|---|
| Europe | $2,080,540 | $3,129,288 |
| U.S.A | 10,955,390 | 6,514,496 |
| Taiwan | 1,053,207 | 850,686 |
| Others | 110,931 | - |
| Total | $14,200,068 | $10,494,470 |

Non-current assets:

| Country | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Canada | $2,327,667 | $2,332,129 |
| U.S.A | 323,218 | 247,549 |
| Taiwan | 11,797,792 | 7,940,731 |
| Others | 300 | - |
| Total | $14,448,977 | $10,520,409 |

4. Important client information:

| | For the years ended 31 December 2023 | 2022 |
|---|---|---|
| Client A | $2,778,896 | $1,256,515 |
| Client B | 2,442,094 | 1,423,393 |
| Client C | 1,934,120 | 3,033,299 |
| Client D | 1,590,407 | 486,458 |
| Client E | 504,331 | 506,421 |
| Client F | 467,927 | 500,599 |
| Total | $9,717,775 | $7,206,685 |

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
(Amounts are expressed in Thousands of New Taiwan Dollars, unless Otherwise Specified)

Table 1

Significant inter-company transactions during the period

For the year ended 31 December 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 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Laboratories Inc. | 1 | Accounts receivable | 64,309 | 60 days from the date of invoice | 0.26% |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Laboratories Inc. | 1 | Operating revenue | 259,891 | 60 days from the date of invoice | 1.83% |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Services Inc. | 1 | Other receivables | 25,952 | 60 days from the date of invoice | 0.10% |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Services Inc. | 1 | Other revenue | 44,394 | 60 days from the date of invoice | 0.31% |
| 0 | Bora Pharmaceuticals Co., Ltd. | TWi Pharmaceuticals, Inc. | 1 | Other receivables | 94,907 | 60 days from the date of invoice | 0.38% |
| 0 | Bora Pharmaceuticals Co., Ltd. | TWi Pharmaceuticals, Inc. | 1 | Other revenue | 106,740 | 60 days from the date of invoice | 0.75% |
| 1 | Bora Pharmaceutical Laboratories Inc. | TWi Pharmaceuticals, Inc. | 3 | Accounts receivable | 60,072 | 60 days from the date of invoice | 0.24% |
| 1 | Bora Pharmaceutical Laboratories Inc. | TWi Pharmaceuticals, Inc. | 3 | Operating revenue | 365,087 | 60 days from the date of invoice | 2.57% |
| 1 | Bora Pharmaceutical Laboratories Inc. | Bora Health Inc. | 3 | Operating revenue | 28,912 | 60 days from the date of invoice | 0.20% |
| 1 | Bora Pharmaceutical Laboratories Inc. | TWi Pharmaceuticals USA, Inc. | 3 | Operating revenue | 60,502 | 60 days from the date of invoice | 0.43% |
| 2 | Bora Pharmaceuticals USA Inc. | Bora Pharmaceutical Services Inc. | 3 | Other receivables | 28,740 | Net 30 days | 0.11% |
| 2 | Bora Pharmaceuticals USA Inc. | Bora Pharmaceutical Services Inc. | 3 | Other revenue | 110,105 | Net 30 days | 0.78% |
| 2 | Bora Pharmaceuticals USA Inc. | TWi Pharmaceuticals USA, Inc. | 3 | Other revenue | 14,402 | 60 days from the date of invoice | 0.10% |
| 3 | TWi Pharmaceuticals, Inc. | Bora Pharmaceutical Laboratories Inc. | 3 | Operating revenue | 14,881 | 60 days from the date of invoice | 0.10% |
| 3 | TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | 3 | Accounts receivable | 3,603,451 | 120 days from the date of invoice | 14.38% |
| 3 | TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | 3 | Operating revenue | 7,476,832 | 120 days from the date of invoice | 52.65% |
| 4 | Bora Pharmaceuticals Ophthalmic Inc. | TWi Pharmaceuticals, Inc. | 3 | Operating revenue | 14,899 | 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 asset or operating revenues: 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 revenues for income statement accounts.

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

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
(Amounts are expressed in Thousands of New Taiwan Dollars, unless Otherwise Specified)

Table 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 | $- | $927,959 | $1,159,948 |
| 1 | Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Ophthalmic Inc. | Other receivables-related parties | Yes | $200,000 | $- | $- | -% | 2 | $- | Need for operation | $- | None | $- | $927,959 | $1,159,948 |

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.

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
(Amounts are expressed in Thousands of New Taiwan Dollars, unless Otherwise Specified)

Table 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 | $45,423,935 | $25,000 | $- | $- | $- | - | $45,423,935 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Laboratories Inc. | 2 | $45,423,935 | $717,500 | $- | $- | $- | - | $45,423,935 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Biologics Co., Ltd. | 2 | $45,423,935 | $360,000 | $240,000 | $- | $- | 2.64 | $45,423,935 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | TWi Pharmaceuticals, Inc. | 2 | $45,423,935 | $1,050,000 | $- | $- | $- | - | $45,423,935 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Services Inc. | 2 | $45,423,935 | $2,868,000 | $2,784,000 | $2,784,000 | $- | 30.64 | $45,423,935 | Y | N | N |
| 1 | TWi Pharmaceuticals, Inc. | Bora Pharmaceuticals Ophthalmic Inc. | 4 | $1,049,453 | $200,000 | $- | $- | $- | - | $2,623,632 | N | N | N |
| 2 | Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Ophthalmic Inc. | 4 | $23,298,720 | $200,000 | $200,000 | $200,000 | $- | 8.62 | $23,198,970 | 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.

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
(Amounts are expressed in Thousands of New Taiwan Dollars, unless Otherwise Specified)

Table 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 31 December 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units (thousand) | Carrying amount | Percentage of ownership | Fair value | |
| Bora Pharmaceuticals Co., Ltd. | 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 |
| SunWay Biotech Co., LTD. | Preferred stock－CMC PharmaSolutions Group, Inc. | None | Financial assets measured at fair value through other comprehensive income, non-current | 1,200 | $7,758 | 7% | $7,758 | No pledged or collateral |

Note 1：Securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities specified in IFRS 9 "*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.

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

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

Table 5

Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock of the Company as at the end of the reporting period.

| Type of securities | Name of the securities | Financial statement account | Counter-party | Nature of Relationship | Beginning balance | | Addition | | Disposal | | | | Ending balance | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares (thousand) | Amount | Shares (thousand) | Amount | Shares (thousand) | Amount | Cost | Gain (Loss) from disposal | Shares (thousand) | Amount | |
| Stock | SunWay Biotech Co., LTD. | Investments accounted for using equity method | SunWay Biotech Co., Ltd. | Investee company | - | $- | 21,257,169 | $1,138,633 | - | $- | $- | $- | 21,257,169 | $1,143,895 | - |
| Stock | Bora Health Inc. | Investments accounted for using equity method | SunWay Biotech Co., Ltd. | Investee company | 18,918,880 | $218,754 | - | $- | 18,918,880 | $1,138,633 | $266,017 | $- | - | $- | Note 1 |

Note1: SunWay Biotech Co., LTD. exchanged shares with Bora Health Inc. by issuing new shares on November 1, 2023, and acquired 100% of the equity interest of Bora Health Inc. The difference between the purchase consideration and the carrying amount was recorded as capital surplus due to the difference between the consideration received and the carrying amount of the subsidiaries' net assets.

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
(Amounts are expressed in Thousands of New Taiwan Dollars, unless Otherwise Specified)

Table 6

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 | $259,891 | 55.70% | 60 days from the date of invoice | Unit price and terms were not significantly different from transactions with third parties | | Accounts receivable $64,309 | 57.55% | - |
| Bora Pharmaceutical Laboratories Inc. | TWi Pharmaceuticals, Inc. | Other related party | Sales | $365,087 | 34.47% | 60 days from the date of invoice | Unit price and terms were not significantly different from transactions with third parties | | Accounts receivable $60,072 | 42.67% | - |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | Parent/ subsidiary | Sales | $7,476,832 | 99.58% | 120 days from the date of invoice | Unit price and terms were not significantly different from transactions with third parties | | Accounts receivable $3,603,451 | 99.83% | - |

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
(Amounts are expressed in Thousands of New Taiwan Dollars, unless Otherwise Specified)

Table 7

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 Taken | | | |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | Parent/ subsidiary | $3,603,451 | 2.85 | $1,645,640 | Collected in subsequent reporting period | $1,375,775 | $- | Note 1 |

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

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
(Amounts are expressed in Thousands of New Taiwan Dollars, unless Otherwise Specified)

Table 8
Information on investees

| Investor | Investee company | Location | Main businesses | Initial investment amount | | Balance as of 31 December 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 | - | -% | $- | $155 | $311 | (Note 3) |
| The Company | Bora Health Inc. | Taipei City, Taiwan | Pharmaceutical wholesale and healthcare product wholesale | $- | $190,466 | - | -% | $- | $41,810 | $24,037 | (Note 1) (Note 4) |
| The Company | Bora Pharmaceutical Laboratories Inc. | Miaoli County, Taiwan | Pharmaceutical contract development and manufacturing | $1,156,810 | $1,156,810 | 165,000,000 | 100% | $2,270,850 | $540,128 | $540,128 | - |
| The Company | Bora Pharmaceuticals USA Inc. | State of Delaware, USA | Pharmaceutical wholesale | $59,969 | $59,969 | 500,000 | 100% | $70,098 | $5,889 | $5,889 | - |
| The Company | Bora Pharmaceutical Services Inc. | Province of Ontario, Canada | Pharmaceutical contract development and manufacturing | $219,279 | $219,279 | 100,000,000 | 50% | $1,418,525 | $630,101 | $315,051 | - |
| The Company | Bora Management Consulting Co., Ltd. | Taipei City, Taiwan | Management and consulting | $1,000 | $1,000 | 100,000 | 100% | $4,389 | $2,458 | $2,458 | - |
| 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% | $1,194,554 | $85,611 | $56,246 | - |
| The Company | Bora Pharmaceutical and Consumer Health Inc. | Taipei City, Taiwan | Biotechnical research and management and consulting | $100 | $100 | 10,000 | 100% | $(41) | $(72) | $(72) | - |
| The Company | TWi Pharmaceuticals, Inc. | Taipei City, Taiwan | Pharmaceutical manufacturing and wholesale | $5,676,416 | $5,676,416 | 60,000,000 | 100% | $7,364,161 | $3,343,391 | $3,246,787 | (Note 2) |

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
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| Investor | Investee company | Location | Main businesses | Initial investment amount | | Balance as of 31 December 2023 | | | Net income (loss) of investee | Investment income (loss) recognized | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Shares | Percentage of ownership | Carrying amount | | | |
| The Company | SunWay Biotech Co., LTD. | Taipei City, Taiwan | Healthcare product wholesale and retail | $1,138,633 | $- | 21,257,168 | 35.79% | $1,143,896 | $73,107 | $5,981 | (Note 4) |
| 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% | $1,418,525 | $630,101 | $315,050 | - |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Ophthalmic Inc. | Taipei City, Taiwan | Pharmaceutical contract development and manufacturing | $160,126 | $- | 64,252,492 | 98.85% | $101,364 | $(123,608) | $(57,618) | (Note 1) (Note 3) |
| TWi Pharmaceuticals, Inc. | Bora Pharmaceuticals Ophthalmic Inc. | Taipei City, Taiwan | Pharmaceutical contract development and manufacturing | $- | $580,866 | - | -% | $- | $(123,608) | $(64,117) | (Note 3) |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | State of New Jersey, USA | Pharmaceutical wholesale | $231,982 | $231,982 | 38 | 100% | $(999,107) | $256,797 | $256,797 | - |
| SunWay Biotech Co., LTD. | Sunway Group Holding Limited | Republic of Seychelles | Investment holding | $18,947 | $18,947 | 1,000,000 | 100% | $4,788 | $(2,076) | $(672) | (Note 4) |
| SunWay Biotech Co., LTD. | Chen Run Marketing Co., Ltd. | Taipei City, Taiwan | Healthcare product wholesale and retail | $2,550 | $2,550 | 255,000 | 51% | $2,988 | $586 | $39 | (Note 4) |
| SunWay Biotech Co., LTD. | Bora Health Inc. | Taipei City, Taiwan | Pharmaceutical wholesale and healthcare product wholesale | $2,141,932 | $- | 22,618,880 | 100% | $332,497 | $41,810 | $14,447 | (Note 4) |
| Sunway Group Holding Limited | Sunway Investment(H.K.) Limited | Hong Kong | Investment holding | $18,776 | $18,776 | 3,500,000 | 100% | $4,789 | $(2,044) | $(640) | (Note 4) |
| Bora Health Inc. | Union Chemical & Pharmaceutical Co., Ltd. | Taipei City, Taiwan | Pharmaceutical manufacturing and wholesale | $31,558 | $- | 1,500,000 | 100% | $31,401 | $311 | $(156) | (Note 3) |

Note 1: Investment income (loss) includes the effect of unrealized or realized gross profit on intercompany transactions.

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 VI for the details.

Note 4: The Company's board of directors passed a resolution on August 21, 2023, to exchange the entire equity interest of Bora Health Inc. with SunWay Biotech Co., LTD. and acquire 35.79% of ownership of SunWay Biotech Co., LTD. and its subsidiaries. Since November 1, 2023, the Company obtained the control over SunWay Biotech Co., LTD. and its subsidiaries. and consolidate the profit of SunWay Biotech Co., LTD. and its subsidiaries.

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

Table 9

Investment in Mainland China at the end of the reporting period.

| Investee company | Main businesses and products | Total amount of paid-in capital | Method of investment *(Note 1)* | Accumulated outflow of investment from Taiwan as of January 1, 2023 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2023 | Net income (loss) of investee company | % Ownership of direct or indirect Investment | Investment income (loss) recognized *(Note 2)* | Carrying amount as of December 31, 2023 | Accumulated inward remittance of earnings as of December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Sunway (Dongguan) Biotech Co., LTD. | Healthcare product wholesale and retail | $17,654 | (ii) | $17,654 | $- | $- | $17,654 | $(1,995) | 100% | $(1,995) | $4,178 | $7,725 |

| Accumulated outward remittance for investments in Mainland China as of December 31, 2023 | Investment amounts authorized by Investment Commission, MOEA | Upper limit on the amount of investments stipulated by the Investment Commission, MOEA *(Note 3)* |
|---|---|---|
| $17,654 | $19,547 | 1,918,477 |

Note 1 : The methods for engaging in investment in Mainland China include the following:

(i) Direct investment in Mainland China

(ii) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region)

(iii) Other methods.

Note 2：The basis of investment income (loss) recognition is from the financial statements audited by the R.O.C. parent company’s CPA.

Note 3：The consent to invest in SunWay Biotech Co., LTD.'s investment has been approved by the Investment Commission, MOEA with the Limit of amount of 60% of its net worth.

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
(Amounts are expressed in Thousands of New Taiwan Dollars, unless Otherwise Specified)

Table 10

Information on major shareholders

| Shares / Name of major shareholders | Shares | Percentage of Ownership |
|---|---|---|
| Baolei Co., Ltd. | 18,704,939 | 18.43% |
| Reibaoshin Co., Ltd. | 11,436,676 | 11.26% |
| Sheng Pao-Shi | 5,356,672 | 5.27% |

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

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

**BORA PHARMACEUTICALS Co., LTD. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**WITH**

**REPORT OF INDEPENDENT AUDITORS**

**FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021**

Address: 6F., No. 2, Aly. 36, Ln. 26, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)
Telphone：886-2-2790-1555

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

## Independent Auditors' Report

To BORA PHARMACEUTICALS CO., LTD.

### Opinion

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

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2022 and 2021, and their consolidated financial performance and cash flows for the years ended 31 December 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

Valuation for inventories

As of 31 December 2022, the Group's net inventories amounted to NT$1,946,818 thousand, and constituted 9% of total consolidated assets, which were material to the consolidated financial statements. Considering the market demand and possible sales, management evaluated the obsolescence of raw materials, work in progress, and semi-finished goods by inventories aging.

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

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

Revenue Recognition

For the year ended 31 December 2022, the Group recognized NT$10,494,470 thousand as revenues, mainly coming from toll manufacturing, rendering services, prescription drug distribution and sales of consumer healthcare products. As timing of revenue recognition varies among contract terms with customers, which involved management's significant judgment, we have determined this as a key audit matter.

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

Business Combination

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

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

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

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

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

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

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

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

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

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

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

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2022 and 2021.

Hung, Kuo Sen

Lin, Li Huang

Ernst & Young, Taiwan

16 March 2023

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of 31 December, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

| ASSETS | Notes | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | IV&VI.1 | $3,281,319 | $910,749 |
| Financial assets measured at fair value through profit or loss, current | IV&VI.2 | 14 | 78 |
| Financial assets at amortized cost, current | IV&VI.3&VIII | 247,617 | - |
| Contract assets, current | IV&VI.22 | 35,197 | - |
| Notes receivable, net | IV&VI.4.23 | 36,900 | 24,325 |
| Notes receivable-related party, net | IV&VI.4.23&VII | - | 2,233 |
| Accounts receivable, net | IV&VI.5.23 | 6,028,343 | 783,099 |
| Accounts receivable-related party, net | IV&VI.5.23&VII | 19,707 | 15,117 |
| Other receivables | VII | 286,376 | 33,233 |
| Inventories, net | IV&VI.6 | 1,946,818 | 913,629 |
| Prepayments | VI.7$VII | 291,419 | 78,080 |
| Other current assets | VI.8 | 67,096 | 31,794 |
| Total current assets | | 12,240,806 | 2,792,337 |
| | | | |
| Non-current assets | | | |
| Financial assets measured at fair value through profit or loss, non-current | IV&VI.2 | 2,336 | - |
| Financial assets measured at amortized cost, non-current | IV&VI.3&VIII | 62,027 | 33,469 |
| Property, plant and equipment | IV&VI.9&VIII | 6,645,112 | 3,749,981 |
| Right-of-use assets | IV&VI.24 | 655,196 | 316,544 |
| Investment properties, net | IV&VI.10&VIII | 17,626 | 25,006 |
| Intangible assets | IV&VI.11.12 | 2,147,431 | 171,045 |
| Deferred tax assets | IV&VI.28 | 829,636 | 243,775 |
| Prepayment for equipments | | 37,803 | 21,247 |
| Refundable deposits | | 38,298 | 18,930 |
| Other non-current assets | | 84,944 | - |
| Total non-current assets | | 10,520,409 | 4,579,997 |
| | | | |
| Total assets | | $22,761,215 | $7,372,334 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of 31 December 2022 and 2021

Unit: Thousands of New Taiwan Dollars

| LIABILITIES AND EQUITY | Notes | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| Current liabilities | | | |
| Short-term loans | VI.13 | $2,161,065 | $645,475 |
| Financial liabilities measured at fair value through profit or loss, current | IV&VI.14 | 695,476 | - |
| Contract liabilities, current | IV&VI.22 | 85,692 | 20,471 |
| Notes payable | | 2,856 | 345 |
| Notes payable-related party | VII | - | 7,596 |
| Accounts payable | | 426,851 | 215,204 |
| Accounts payable-related party | VII | 25,031 | 12,665 |
| Other payables | VI.15&VII | 3,893,104 | 463,053 |
| Income tax payable | IV&VI.27 | 238,651 | 50,578 |
| Provisions, current | IV&VI.19 | 134,381 | 118,853 |
| Lease liabilities, current | IV&VI.24 | 75,307 | 17,544 |
| Current portion of long-term loans | VI.17 | 725,627 | 222,093 |
| Refund liabilities | IV&VI.22 | 2,023,565 | 65,372 |
| Other current liabilities | | 7,917 | 1,873 |
| Total current liabilities | | 10,495,523 | 1,841,122 |
| Non-current liabilities | | | |
| Financial liabilities measured at fair value through profit or loss, non-current | IV&VI.14 | 928,206 | - |
| Contract liabilities, non-current | IV&VI.22 | 4,184 | - |
| Bonds payable | IV&VI.16 | 642,363 | - |
| Long-term loans | VI.17 | 3,394,474 | 1,028,092 |
| Provisions, non-current | IV&VI.19 | 341,716 | 433,333 |
| Deferred tax liabilities | IV&VI.28 | 742,848 | 609,769 |
| Lease liabilities, non-current | IV&VI.24 | 596,879 | 305,965 |
| Other non-current liabilities | | 474,566 | 1,512 |
| Total non-current liabilities | | 7,125,236 | 2,378,671 |
| Total liabilities | | 17,620,759 | 4,219,793 |
| Equity attributable to the parent company | VI.20 | | |
| Capital | | | |
| Common stock | | 753,815 | 684,123 |
| Advance receipts for ordinary share | | 3,107 | 660 |
| Capital surplus | | 1,236,380 | 1,025,985 |
| Retained earnings | | | |
| Legal reserve | | 216,436 | 141,462 |
| Special reserve | | 23,919 | 4,900 |
| Unappropriated earnings | | 2,308,664 | 1,319,331 |
| Subtotal | | 2,549,019 | 1,465,693 |
| Other equity | | 39,093 | (23,920) |
| Treasury stock | | (53,092) | - |
| Equity attributable to shareholders of the parent | | 4,528,322 | 3,152,541 |
| Non-controlling interests | VI.20 | 612,134 | - |
| Total equity | | 5,140,456 | 3,152,541 |
| Total liabilities and equity | | $22,761,215 | $7,372,334 |

(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

For the years ended 31 December 2022 and 2021

Unit: Thousands of New Taiwan Dollars

| | Notes | For the year ended 31 December 2022 | For the year ended 31 December 2021 |
|---|---|---|---|
| Operating revenue | IV&VI.20&VII | $10,494,470 | $4,899,885 |
| Operating costs | IV&VI.6.22.23&VII | (7,581,695) | (3,228,107) |
| Gross profit | | 2,912,775 | 1,671,778 |
| Operating expenses | VI.21.22.23&VII | | |
| Sales and marketing expenses | | (260,115) | (178,361) |
| General and administrative expenses | | (601,406) | (406,159) |
| Research and development expenses | | (129,078) | (41,267) |
| Total operating expenses | | (990,599) | (625,787) |
| Operating income | | 1,922,176 | 1,045,991 |
| Non-operating income and expenses | VI.26 | | |
| Other revenue | | 30,684 | 47,902 |
| Other gains and losses | | (4,132) | (16,309) |
| Financial costs | | (108,727) | (53,616) |
| Total non-operating income and expenses | | (82,175) | (22,023) |
| Net income before income tax | | 1,840,001 | 1,023,968 |
| Income tax expense | IV&VI.28 | (438,476) | (274,232) |
| Net income | | 1,401,525 | 749,736 |
| Other comprehensive income | IV&VI.27 | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | |
| Gains or losses on remeasurements of defined benefit plans | | 5,418 | 6,170 |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | | (1,434) | (1,635) |
| To be reclassified to profit or loss in subsequent periods | | | |
| Exchange differences resulting from translation foreign operations | | 73,805 | (49,257) |
| Income tax related to items to be reclassified subsequently to profit or loss | | (14,761) | 9,851 |
| Total other comprehensive income, net of tax | | 63,028 | (34,871) |
| Total comprehensive income | | $1,464,553 | $714,865 |
| Net income attributable to: | | | |
| Stockholders of the parent | | $1,391,916 | $749,736 |
| Non-controlling interests | | $9,609 | $- |
| Comprehensive income attributable to: | | | |
| Stockholders of the parent | | $1,454,944 | $714,865 |
| Non-controlling interests | | $9,609 | $- |
| Earnings per share (NTD) | IV&VI.29 | | |
| Earnings per share-basic | | $18.52 | $10.04 |
| Earnings per share-diluted | | $18.30 | $10.01 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2022 and 2021

Unit: Thousands of New Taiwan Dollars

| Items | Equity attributable to shareholders of the parent | | | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | | | Retained earnings | | | Other equity | | | | | | |
| | Common stock | Advance receipts for ordinary share | Capital surplus | 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 | Treasury stock | Total | | |
| Balance as of 1 January 2021 | $541,154 | $- | $951,647 | $83,619 | $5,071 | $872,322 | $15,851 | $(4,900) | $- | $- | $2,464,764 | $- | $2,464,764 |
| Appropriation and distribution of 2020 retained earning | | | | | | | | | | | | | |
| Legal reserve | - | - | - | 57,843 | - | (57,843) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (109,766) | - | - | - | - | (109,766) | - | (109,766) |
| Stock dividends | 135,289 | - | - | - | - | (135,289) | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | - | (171) | 171 | - | - | - | - | - | - | - |
| Net income for the year ended 31 December 2021 | - | - | - | - | - | 749,736 | - | - | - | - | 749,736 | - | 749,736 |
| Other comprehensive income, for the year ended 31 December 2021 | - | - | - | - | - | - | (39,406) | - | 4,535 | - | (34,871) | - | (34,871) |
| Total comprehensive income | - | - | - | - | - | 749,736 | (39,406) | - | 4,535 | - | 714,865 | - | 714,865 |
| Share-based payment transactions-exercise of stock option | - | 660 | 3,656 | - | - | - | - | - | - | - | 4,316 | - | 4,316 |
| Share-based payment transactions-stock based compensation | - | - | 12,465 | - | - | - | - | - | - | - | 12,465 | - | 12,465 |
| Share-based payment transactions-conversion of stock option | 7,680 | - | 54,912 | - | - | - | - | - | - | - | 62,592 | - | 62,592 |
| Share-based payment transactions-stock option issued to foreign subsidiaries | - | - | 3,305 | - | - | - | - | - | - | - | 3,305 | - | 3,305 |
| Balance as of 31 December 2021 | $684,123 | $660 | $1,025,985 | $141,462 | $4,900 | $1,319,331 | ($23,555) | ($4,900) | $4,535 | $- | $3,152,541 | $- | $3,152,541 |
| Balance as of 1 January 2022 | $684,123 | $660 | $1,025,985 | $141,462 | $4,900 | $1,319,331 | ($23,555) | ($4,900) | $4,535 | $- | $3,152,541 | $- | $3,152,541 |
| Appropriation and distribution of 2021 retained earnings | | | | | | | | | | | | | |
| 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 year ended 31 December 2022 | - | - | - | - | - | 1,391,916 | - | - | - | - | 1,391,916 | 9,609 | 1,401,525 |
| Other comprehensive income, for the year ended 31 December 2022 | - | - | - | - | - | 15 | 59,044 | - | 3,969 | - | 63,028 | - | 63,028 |
| Total comprehensive income | - | - | - | - | - | 1,391,931 | 59,044 | - | 3,969 | - | 1,454,944 | 9,609 | 1,464,553 |
| Conversion of convertible bonds | - | 3,067 | 80,403 | - | - | - | - | - | - | | 83,470 | - | 83,470 |
| Treasury stock purchases | | | | | | | | | | (53,092) | (53,092) | | (53,092) |
| Share-based payment transactions-exercise of stock option | 510 | 40 | 3,346 | - | - | - | - | - | - | - | 3,896 | - | 3,896 |
| Share-based payment transactions-stock based compensation | - | - | 29,790 | - | - | - | - | - | - | - | 29,790 | 2,036 | 31,826 |
| 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 | - | - | - | - | - | (1,281) | - | - | - | - | (1,281) | 578,666 | 577,385 |
| Balance as of 31 December 2022 | $753,815 | $3,107 | $1,236,380 | $216,436 | $23,919 | $2,308,664 | $35,489 | ($4,900) | $8,504 | ($53,092) | $4,528,322 | $612,134 | $5,140,456 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2022 and 2021

Unit: Thousands of New Taiwan Dollars

| Items | For the year ended 31 December 2022 | For the year ended 31 December 2021 | Items | For the year ended 31 December 2022 | For the year ended 31 December 2021 |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | Cash flows from investing activities: | | |
| Net income before income tax | $1,840,001 | $1,023,968 | Disposal of financial assets measured at amortized cost | 323,981 | - |
| Adjustments for: | | | Acquisition of subsidiaries (net of cash acquired) | (4,514,398) | (3,834) |
| Income and expense adjustments: | | | Disposal of subsidiary | 24,000 | - |
| Depreciation | 258,774 | 181,111 | Acquisition of property, plant and equipment | (187,760) | (163,478) |
| Amortization | 66,412 | 29,054 | Disposal of property, plant and equipment | 37,953 | 83 |
| Net loss (gain) on financial assets or liabilities measured at fair value through profit or loss | 47,787 | (782) | Increase in refundable deposits | (10,805) | (9,093) |
| Interest expense | 108,727 | 53,616 | Other receivables | 73,005 | 64,430 |
| Interest income | (11,364) | (223) | Acquisition of intangible assets | (5,410) | (200,102) |
| Share-based payment expenses | 31,826 | 15,770 | Other non-current assets | (14,712) | - |
| Loss on disposal of property, plant and equipment | 2,357 | 2,238 | Prepayment for equipments | (7,045) | 86,147 |
| Loss (gain) on disposal of other assets | 1,023 | (14) | Net cash used in investing activities | (4,281,191) | (225,847) |
| Other | 16,607 | - | | | |
| Total income and expense adjustments: | 522,149 | 280,770 | Cash flows from financing activities: | | |
| Changes in operating assets and liabilities: | | | Increase in short-term loans | 772,328 | - |
| Contract assets | (35,197) | - | Decrease in short-term loans | - | (572,171) |
| Notes receivable, net | (12,575) | (525) | Proceeds from long-term loans | 4,709,273 | 100,000 |
| Notes receivable-related party, net | 2,233 | (2,233) | Repayment of long-term loans | (1,878,472) | (154,549) |
| Trade receivables, net | (1,469,620) | (285,405) | Issuance of convertible bonds | 844,998 | - |
| Trade receivables-related party, net | (4,002) | 3,019 | Repayment of the principal of lease liabilities | (37,227) | (17,480) |
| Other receivables | (37,655) | (11,039) | Increase in other current liabilities | 557 | - |
| Inventories, net | 99,389 | 172,370 | Decrease in other current liabilities | - | (225) |
| Prepayments | (106,166) | 12,571 | Cash dividends | (238,802) | (109,766) |
| Other current assets | (35,302) | 21,652 | Employee stock options exercised | 3,896 | 66,908 |
| Contract liabilities | (11,774) | 16,364 | Treasury stock purchases | (53,092) | - |
| Notes payable | 2,057 | (654) | Interest paid | (105,040) | (54,115) |
| Notes payable-related party | (7,596) | 7,596 | Increase in non-controlling interests | 576,381 | - |
| Accounts payable | 94,802 | 11,851 | Net cash generated by (used in) financing activities | 4,594,800 | (741,398) |
| Accounts payable-related party | 12,366 | (2,040) | | | |
| Other payables | 1,447,498 | 169,364 | Effect of exchange rate changes on cash and cash equivalents | 46,887 | (28,626) |
| Refund liabilities | 163,338 | 65,372 | | | |
| Provisions | (103,532) | (226,978) | | | |
| Other current liabilities | 6,044 | (1,448) | Net increase in cash and cash equivalents | 2,370,570 | 240,764 |
| Cash generated from operations | 2,366,458 | 1,254,575 | Cash and cash equivalents at beginning of period | 910,749 | 669,985 |
| Interest received | 11,364 | 223 | Cash and cash equivalents at end of period | $3,281,319 | $910,749 |
| Income tax paid | (367,748) | (18,163) | | | |
| Net cash generated by operating activities | 2,010,074 | 1,236,635 | | | |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2022 and 2021

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

I. History and Organization

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

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

II. The Authorization of Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December 2022 and 2021 were authorized for issue by the Board of Directors on 16 March 2023.

III. Application of New and Revised International Financial Reporting Standards

1. 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 2022. 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 | Disclosure Initiative - Accounting Policies – Amendments to IAS 1 | 1 January 2023 |
| b | Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| c | Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |

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

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

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

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

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

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

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

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

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | IFRS 10 "*Consolidated Financial Statements*" and IAS 28 "*Investments in Associates and Joint Ventures*" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 "*Insurance Contracts*" | 1 January 2023 |
| c | Classification of Liabilities as Current or Non-current - Amendments to IAS 1 | 1 January 2024 |
| d | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2024 |
| e | Non-current Liabilities with Covenants – Amendments to IAS 1 | 1 January 2024 |

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

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

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

(b) IFRS 17 "*Insurance Contracts*"

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

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

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

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

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

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

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

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

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

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

## IV. Summary of significant accounting policies

### 1. Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2022 and 2021 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") 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 | Ownership (%) 31 December 2022 | 31 December 2021 |
|---|---|---|---|---|
| The Company | Union Chemical & Pharmaceutical Co., Ltd. | Pharmaceutical Manufacturing and wholesale | 100% | 100% |
| The Company | Bora Health Inc. (Note 1) | Pharmaceutical wholesale and healthcare product wholesale | 90.44% (Note 2) | 100% |
| The Company | Bora Pharmaceutical Laboratories Inc. | Pharmaceutical Manufacturing and CDMO | 100% | 100% |
| The Company | Bora Pharmaceuticals USA Inc. | Pharmaceutical wholesale | 100% | 100% |
| The Company | Bora Pharmaceutical Services Inc. | Pharmaceutical Manufacturing and CDMO | 50% | 50% |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceutical Services Inc. | Pharmaceutical Manufacturing and CDMO | 50% | 50% |
| The Company | Bora Management Consulting Co., Ltd. | Management & Consulting | 100% | 100% |
| The Company | Bora Biologics Co., Ltd. (Note 3) | Biotechnical Services, Research and Development Services and Pharmaceutical Manufacturing | 65.7% (Note 4) | 100% |
| The Company | Bora Pharmaceutical and Consumer Health Inc. (Note 5) | Biotechnical Services and Management & Consulting | 100% | -% |
| The Company | TWi Pharmaceuticals, Inc. (Note 6) | Pharmaceutical Manufacturing and CDMO | 100% | -% |
| TWi Pharmaceuticals, Inc. | Synpac-Kingdom Pharmaceutical Co., Ltd. (Note 6) | Pharmaceutical Manufacturing and Sales | 98.64% | -% |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. (Note 6) | Consulting Service and Generic Drug Sales | 100% | -% |

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

Note 2: The Company sold part of shares of Bora Health Inc. in September 2022.

Note 3: The Company registered and established a wholly-owned subsidiary, Bora Pharmaceutical and Consumer Health Inc., with a capital of NT$100 thousand in December 2021. Subsequent to the year end, Bora Pharmaceutical and Consumer Health Inc. was renamed as Bora Biologics Co., Ltd. in March 2022.

Note 4: Bora Biologics Co., Ltd. issued 60,000 thousand new shares in June 2022. As the Company subscribed partial of the shares which caused the ownership decreased from 100% to 65.7%. Bora Biologics Co., Ltd. completed the registration of capital injection in July 2022.

Note5: The Company registered and established a wholly-owned subsidiary, Bora Pharmaceutical and Consumer Health Inc., with a capital of NT$100 thousand in June 2022.

Note 6: As resolved by the shareholders on 31 August 2022, the Company acquired 100% equity interest in TWi Pharmaceuticals, Inc. and its subsidiaries, Synpac-Kingdom Pharmaceutical Co., Ltd and TWI Pharmaceuticals USA, Inc.. The acquirees have been included in the consolidated financial statements since 1 September 2022.

4. Foreign currency transactions

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

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

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

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

5. Translation of financial statements in foreign currency

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

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

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

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current

7. Cash and cash equivalents

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

8. Financial instruments

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

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

(1) Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable (including related party), accounts receivable (including related party), other receivables (including related party), financial assets measured at amortized cost, etc., on the consolidated balance sheets as at the reporting date:

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is calculated by using the effective interest method. This is calculated

by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

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

Financial assets measured at fair value through profit or loss

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

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

(2) Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(3) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired

B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred

C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(4) Financial liabilities and equity

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

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

<u>Equity instruments</u>

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

<u>Compound instrument</u>

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

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

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

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

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

Financial liabilities

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

Financial liabilities measured at fair value through profit or loss

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

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

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

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

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

Financial liabilities measured at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial instruments

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

9. Derivative instrument

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

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

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

10. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(A) In the principal market for the asset or liability, or
(B) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

11. Inventories, net

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

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:
Raw materials – Purchase cost on a weighted average basis
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Costs are calculated on a weighted average basis.

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

12. Property, plant and equipment

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

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

| | |
|---|---|
| Buildings | 3～50 years |
| Machinery and equipment | 2～24 years |
| Testing equipment | 2～25 years |
| Transportation equipment | 5～13 years |
| Office equipment | 2～17 years |
| Leasehold improvements | 2～25 years |
| Other equipment | 2～19 years |

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

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

13. Investment properties, net

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

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

| | |
|---|---|
| Buildings | 30 years |

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

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

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

14. Leases

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

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

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

Group as a lessee

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

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

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

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

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

(a) the amount of the initial measurement of the lease liability;

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

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

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

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

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

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

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

<u>Group as a lessor</u>

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

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

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

15. Intangible assets

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

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

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

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

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

<u>Research and development costs</u>

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

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

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

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

| Category | Software | Product distribution/use right | Drug licenses | Exclusive technology |
|---|---|---|---|---|
| Useful lives | 1~5 years | 5~10 years | 2~16 years | 5 years |
| Amortization methods | Straight line method | Straight line method | Straight line method | Straight line method |

16. Impairment of non-financial assets

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

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

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

17. Provisions

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

Provision for onerous contracts

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

Provisions for sales returns and discounts

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

Provisions for employee benefits

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

18. Treasury stock

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

19. Revenue recognition

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

Sale of goods

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

The terms of accounts receivable are generally 30 ~180 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivable. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contracts. However, for some contracts, part of the consideration was received from customers upon signing the contracts, and the Group has the obligation to provide the products subsequently; accordingly, these amounts are recognized as contract liabilities.

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

CDMO – Service Revenue

The Group provides contract development organization services for biopharmaceutical drugs. Revenue from providing such service is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payable amount, a contract asset is recognized. If the payable amount exceeds the services rendered, a contract liability is recognized.

The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management becomes aware of the changes in circumstances.

CDMO – Contract Development and Manufacturing Revenue

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

20. Borrowing costs

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

21. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee in R.O.C. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

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

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

(1) the date of the plan amendment or curtailment, and
(2) the date that the Group recognizes restructuring-related costs.

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

22. Shared-based payment transactions

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

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

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

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

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

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

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

23. Income taxes

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred tax

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

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

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

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

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

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

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

24. Business combinations and goodwill

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

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

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

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

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

## V. Critical accounting judgements, estimates and assumptions

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

(1) Judgement

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

(a) Revenue recognition

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

(b) Operating lease commitment－group as the lessor

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

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Inventory valuation

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

(b) Revenue recognition－sales returns and discounts

The Group estimates sales returns and discounts based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note VI for more details.

(c) Income tax

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

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

(d) Accounts receivable–estimation of impairment loss

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

(e) Share-based payment transactions

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

(f) Pension benefits

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

(g) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note VI.

(h) Goodwill assessment arising from business combinations

The Group assessed the goodwill acquired through business combinations by identifying and allocating assets, liabilities and goodwill to related cash-generating unit at the date of acquisition based on an external specialist report which involving multiple assumptions in financial models, parameter inputs, and relevant accounting estimates. Please refer to Note VI for more details for the assumption that might have significant impact for the recognition of goodwill.

(i) Fair value measurement of contingent considerations

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

## VI. Details of significant accounts

### 1. Cash and cash equivalents

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Cash on hand | $871 | $272 |
| Checking accounts and demand deposits | 3,280,448 | 910,477 |
| Total | $3,281,319 | $910,749 |

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

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Mandatorily measured at fair value through profit or loss: | | |
| Derivatives not designated as hedging instruments: | | |
| Forward foreign exchange agreements | $14 | $78 |
| Embedded derivative－Right of redemption of convertible bonds | 2,336 | - |
| Total | $2,350 | $78 |
| Current | $14 | $78 |
| Non-current | $2,336 | $- |

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

3. Financial assets at amortized cost

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Time deposits | $76,775 | $- |
| Restricted deposits | 232,869 | 33,469 |
| Total | $309,644 | $33,469 |
| Current | $247,617 | $- |
| Non-current | $62,027 | $33,469 |

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 and other notes receivable-related party, net

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Notes receivable from operation, gross | $36,900 | $24,325 |
| Less: loss allowance | - | - |
| Subtotal | 36,900 | 24,325 |
| Notes receivable from related party, gross | - | 2,233 |
| Less: loss allowance | - | - |
| Subtotal | - | 2,233 |
| Total | $36,900 | $26,558 |

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

5. Accounts receivable and accounts receivable-related party

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Accounts receivables, gross | $6,038,657 | $785,393 |
| Less: loss allowance | (10,314) | (2,294) |
| Subtotal | 6,028,343 | 783,099 |
| Accounts receivable from related party, gross | 19,707 | 15,117 |
| Less: loss allowance | - | - |
| Subtotal | 19,707 | 15,117 |
| Total | $6,048,050 | $798,216 |

Accounts receivable were not pledged.

The terms of accounts receivable are generally on 30 to 180 days. The total carrying amount as of 31 December 2022 and 31 December 2021 are NT$6,058,364 thousand and NT$800,510 thousand, respectively. Please refer to Note VI.23 for more details on loss allowance of accounts receivable as of 31 December 2022 and 2021. Please refer to Note XII for more details on credit risk management.

6. Inventories, net

(1) Details on net inventories are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Raw materials | $810,560 | $430,640 |
| Supplies and spares parts | 154,196 | 114,105 |
| Work in progress | 46,080 | 15,240 |
| Semi-finished goods | 343,926 | 120,617 |
| Finished goods | 500,178 | 130,106 |
| Merchandise | 91,878 | 102,921 |
| Total | $1,946,818 | $913,629 |

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

| | For the year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Cost of goods sold | $7,516,909 | $3,176,188 |
| Inventories shortage (overage) | 5,876 | (3,339) |
| Write-down of inventories loss | 58,910 | 55,258 |
| Total | $7,581,695 | $3,228,107 |

(3) The cost of inventories recognized in operating costs amounted to NT$7,581,695 thousand and NT$3,228,107 thousand for the years ended 31 December 2022 and 2021, respectively, including the write-down of inventories loss to the net realizable value.

(4) No Inventories were pledged.

7. Prepayments

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Advances to vendors | $44,488 | $15,014 |
| Prepaid insurance | 9,544 | 7,719 |
| Prepaid rent | 904 | - |
| Prepaid inspection fee | 32,970 | 1,664 |
| Prepaid business tax | 136,868 | 21,453 |
| Others | 66,645 | 32,230 |
| Total | $291,0419 | $78,080 |

8. Other current assets

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Payment on behalf of others (Note) | $51,593 | $27,817 |
| Temporary payments | 4,435 | 726 |
| Others | 11,068 | 3,251 |
| Total | $67,096 | $31,794 |

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 2022 | $1,983,704 | $1,392,590 | $704,667 | $72,028 | $570 | $9,286 | $- | $82,522 | $11,725 | $4,257,092 |
| Addition | - | 18,054 | 70,858 | 18,379 | 630 | 12,089 | 6,851 | 5,847 | 55,052 | 187,760 |
| Acquisitions through business combinations | 1,360,377 | 468,510 | 1,384,088 | 169,083 | 1551 | 42,123 | 198,512 | 6,406 | 10,369 | 3,641,019 |
| Disposals | - | (11,827) | (146,646) | - | - | (223) | (75) | (358) | - | (158,948) |
| Reclassification | - | 9,196 | 462 | - | - | - | - | (1,972) | (462) | 7,224 |
| Exchange differences | 53,126 | 28,543 | 19,106 | 2,619 | - | 76 | - | - | 39 | 103,509 |
| 31 December 2022 | $3,397,207 | $1,905,066 | $2,032,716 | $262,109 | $2,751 | $63,351 | $205,288 | $92,445 | $76,723 | $8,037,656 |
| 1 January 2021 | $2,020,639 | $1,329,410 | $716,869 | $75,350 | $570 | $4,177 | $8,103 | $45,351 | $- | $4,200,469 |
| Addition | - | 80,529 | 54,136 | 372 | - | 5,228 | - | 8,854 | 14,359 | 163,478 |
| Disposals | - | (1,120) | (15,657) | (1,780) | - | (119) | (8,103) | (7,634) | - | (34,413) |
| Reclassification | - | 3,626 | (37,341) | - | - | - | - | 35,951 | (2,236) | - |
| Exchange differences | (36,935) | (19,855) | (13,340) | (1,914) | - | - | - | - | (398) | (72,442) |
| 31 December 2021 | $1,983,704 | $1,392,590 | $704,667 | $72,028 | $570 | $9,286 | $- | $82,522 | $11,725 | $4,257,092 |
| Depreciation and impairment: | | | | | | | | | | |
| 1 January 2022 | $- | $164,447 | $260,522 | $10,201 | $478 | $4,122 | $- | $67,341 | $- | $507,111 |
| Depreciation | - | 63,086 | 117,520 | 23,703 | 70 | 3,864 | 5,609 | 5,774 | - | 219,626 |
| Acquisitions through business combinations | | 189,768 | 554,657 | - | 721 | 26,242 | 9,429 | - | | 780,817 |
| Disposals | - | (11,800) | (106,335) | - | - | (223) | (17) | (263) | - | (118,638) |
| Reclassification | - | 452 | - | - | - | - | - | - | - | 452 |
| Exchange differences | - | 707 | 1,968 | 395 | - | 106 | - | - | - | 3,176 |
| 31 December 2022 | $- | $406,660 | $828,332 | $34,299 | $1,269 | $34,111 | $15,021 | $72,852 | $- | $1,392,544 |
| 1 January 2021 | $- | $113,015 | $222,983 | $10,555 | $476 | $3,264 | $6,723 | $24,671 | $- | $381,687 |
| Depreciation | - | 51,689 | 91,667 | 11,092 | 2 | 957 | 448 | 4,380 | - | 160,235 |
| Disposals | - | (1,030) | (15,031) | (1,139) | - | (99) | (7,171) | (7,622) | - | (32,092) |
| Reclassification | - | 1,390 | (37,341) | - | - | - | - | 35,951 | - | - |
| Exchange differences | - | (617) | (1,756) | (10,307) | - | - | - | 9,961 | - | (2,719) |
| 31 December 2021 | $- | $164,447 | $260,522 | $10,201 | $478 | $4,122 | $- | $67,341 | $- | $507,111 |
| Net carrying amount as at: | | | | | | | | | | |
| 31 December 2022 | $3,397,207 | $1,498,406 | $1,204,384 | $227,810 | $1,482 | $29,240 | $190,267 | $19,593 | $76,723 | $6,645,112 |
| 31 December 2021 | $1,983,704 | $1,228,143 | $444,145 | $61,827 | $92 | $5,164 | $- | $15,181 | $11,725 | $3,749,981 |

(1) Buildings primarily include building structure, relevant constructions (such as air conditioning units and electrical machinery), which are depreciated over 20 to 50 years and 8 to 10 years, respectively.
(2) Interests were not capitalized for the year ended 31 December 2022 and 2021.
(3) Please refer to Note VIII for more details on pledges of property, 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 to earn rentals and another 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 two to ten years. These leases include a clause for annual rate adjustment to reflect the change in market conditions.

| | Buildings |
|---|---|
| Cost: | |
| 1 January 2022 | $26,673 |
| Reclassification | (7,224) |
| 31 December 2022 | $19,449 |
| 1 January 2021 | $26,673 |
| Additions | - |
| 31 December 2021 | $26,673 |
| | |
| Depreciation and impairment: | |
| 1 January 2022 | $1,667 |
| Reclassification | (452) |
| Depreciation | 608 |
| 31 December 2022 | $1,823 |
| 1 January 2021 | $834 |
| Depreciation | 833 |
| 31 December 2021 | $1,667 |
| | |
| Net carrying amount as of: | |
| 31 December 2022 | $17,626 |
| 31 December 2021 | $25,006 |

| | 2022 | 2021 |
|---|---|---|
| Net income from investment properties | $6,294 | $3,606 |

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 and NT$73,714 thousand as of 31 December 2022 and 31 December 2021, respectively. The fair value has been determined based on valuations performed by an independent appraiser. The valuation methods applied are the income approach and comparison approach, and the related inputs are as follows:

Income approach:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Net income margin | $110,269 | $108,262 |
| Capitalization rate | 2.07% | 2.07% |

Comparison approach:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Regional factors | 100% | 100% |
| Individual factors | 90%-94% | 91%-93.5% |

11. Intangible assets

| | Product distribution/ use right | Goodwill | Software | Drug license | Others | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| 1 January 2022 | $- | $- | $195,510 | $- | $36,839 | $232,349 |
| Addition | - | - | 4,339 | - | 1,071 | 5,410 |
| Acquisitions through business combinations | 250,366 | 983,585 | 22,131 | 1,009,383 | 31,679 | 2,297,144 |
| Disposals | - | - | (1,235) | - | (4,762) | (5,997) |
| Exchange differences | - | - | 8,200 | - | - | 8,200 |
| 31 December 2022 | $250,366 | $983,585 | $228,945 | $1,009,383 | $64,827 | $2,537,106 |
| 1 January 2021 | $- | $- | $22,068 | $- | $15,839 | $37,907 |
| Addition | - | - | 179,102 | - | 21,000 | 200,102 |
| Exchange differences | - | - | (5,660) | - | - | (5,660) |
| 31 December 2021 | $- | $- | $195,510 | $- | $36,839 | $232,349 |
| Amortization and impairment: | | | | | | |
| 1 January 2022 | $- | $- | $41,829 | $- | $19,475 | $61,304 |
| Amortization | 843 | - | 39,952 | 21,417 | 4,200 | 66,412 |
| Acquisitions through business combinations | 247,712 | - | 18,764 | - | - | 266,476 |
| Disposals | - | | (1,235) | - | (4,078) | (5,313) |
| Exchange differences | - | - | 796 | - | - | 796 |
| 31 December 2022 | $248,555 | $- | $100,106 | $21,417 | $19,597 | $389,675 |
| 1 January 2021 | $- | $- | $17,702 | $- | $15,175 | $32,977 |
| Amortization | - | - | 24,854 | - | 4,200 | 29,054 |
| Exchange differences | - | - | (727) | - | - | (727) |
| 31 December 2021 | $- | $- | $41,829 | $- | $19,375 | $61,304 |
| Net book value: | | | | | | |
| 31 December 2022 | $1,811 | $983,585 | $128,839 | $987,966 | $45,230 | $2,147,431 |
| 31 December 2021 | $- | $- | $153,681 | $- | $17,364 | $171,045 |

Amortization of intangible assets for years ended 31 December are as follows:

| Amortization recognized in | 2022 | 2021 |
|---|---|---|
| Operating costs | $55,239 | $19,494 |
| Operating expenses | $11,173 | $9,560 |

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

Goodwill acquired through business combinations and licenses with indefinite lives have been allocated to two cash-generating units ("CGU"), which are also reportable operating segments, for impairment testing as follows.

(a) CGU A: CDMO segment; and
(b) CGU B: Sales segment for pharmaceuticals, generic and healthcare products.

Carrying amount of goodwill and licenses allocated to each of the cash-generating units:

| | CDMO Segment CGU A | Sales Segment CGU B | Total |
|---|---|---|---|
| 31 December 2022 | $928,881 | $54,705 | $983,585 |
| 31 December 2021 | $- | $- | $- |

The risk for the impairment of goodwill for CGU B- sales segment is low as the amount allocated is insignificant to total goodwill acquired and the acquisition date was close to reporting date.

<u>CGU A: CDMO segment</u>

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. The projected cash flows have been updated to reflect the change in demand for products and services. As of 31 December 2022, the pre-tax discount rate applied to cash flow projections is 13.25%. As a result of this analysis, management considers there is no impairment loss of goodwill.

<u>Key assumptions used in value-in-use calculations</u>

The calculation of value-in-use for both electronics and fire prevention equipment units are most sensitive to the following assumptions:
(a) Gross margin
(b) Discount rates
(c) Raw materials price inflation.
(d) Growth rate used to extrapolate cash flows beyond the budget period.

*Gross margins:* Gross margins are based on historical average gross margins preceding the start of the budget period and adjusted with recent market information. The average gross margin of CGU A: CDMO segment are slightly increased over the forecasted period for anticipated efficiency improvement for the production and industry future trends.

*Discount rates:* Discount rates reflect the current market assessment of the risks specific to the cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

*Raw materials price inflation:* The estimates are based on the recent prices published by the major material suppliers and the historical material price movement.

*Growth rate used to extrapolate cash flows beyond the budget period:* Growth rate for CGU A: CDMO segment was calculated based on historical sales data and future industry trends.

Sensitivity to changes in assumptions

Regarding the evaluation of value-in-use of CGU A: CDMO segment, the management believes that it is unlikely the aforementioned assumptions will change would cause the carrying value of CDMO segment significantly exceed its recoverable amount.

13. Short-term loans

| | Interest rates (%) | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| Unsecured bank loans | 1.20%~2.15% | $724,365 | $213,075 |
| Secured bank loans | 1.51%~5.57% | 1,436,700 | 432,400 |
| Total | | $2,161,065 | $645,475 |

The Group's secured bank loans were secured include the syndicated loan led by CTBC Bank Co., Ltd which all the equity shares of the Company's wholly-owned subsidiary, TWi Pharmaceuticals, Inc. were pledged as collateral. Information about 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

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Held for trading purpose: | | |
| Derivatives not designated as hedging instruments - | | |
| Forward foreign exchange agreements | $501 | $- |
| Contingent consideration from business combination | 1,623,181 | - |
| Total | $1,623,682 | $- |
| Current | $695,476 | $- |
| Non-current | $928,206 | $- |

15. Other payables

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Investments payable | $521,538 | $15,645 |
| Salaries payable | 84,399 | 47,709 |
| Employees' and directors' remuneration payable | 94,268 | 33,226 |
| Equipment payable | 8,747 | 14,107 |
| Bonus payable | 208,595 | 132,351 |

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Repair and maintenance payable | 60,136 | 20,572 |
| Professional service fees payable | 54,076 | 19,521 |
| Facility management fees payable | 4,540 | 45,958 |
| Business tax payable | 74,438 | 1,307 |
| Interests payable | 2,767 | 2,666 |
| Royalty fees payable | 2,565,502 | - |
| Other payables | 213,998 | 129,991 |
| Total | $3,893,104 | $463,053 |

16. Domestic convertible bonds payable

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

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

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

Issue amount: NT$800,000 thousand

Period: 28 September 2022 ~ 28 September 2027

Important redemption clauses:

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.

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

17. Long-term loans

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

| Lenders | 31 December 2022 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---|---|---|
| Chang Hwa secured bank loan *(Note 1)* | $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 | 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 monthly instalments (principal), starting from 17 June 2023. |
| CTBC syndicated bank loan *(Note 2)* | 2,581,000 | 2.56% | From 30 September 2022 to 30 September 2027； 9 semi-annually instalments (principal), starting from 30 September 2023. |
| CTBC secured bank loan *(Note 3)* | 105,000 | 2.20% | From 30 June 2020 to 30 June 2024; Quarterly instalments (principal) of NT$17,500 thousand, from 30 September 2020 to the maturity date, 30 June 2024. Repaid 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, 30 June 2024. Repaid the remaining outstanding principal at maturity date with floating interest rate |
| CTBC secured bank loan *(Note 4)* | 357,948 | 5.81% | From 27 November 2022 to 27 November 2025；12 quarterly instalments (principal and interests), starting from 28 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 | 31 December 2021 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---|---|---|
| Chang Hwa secured bank loans | $534,000 | 1.15% | 23 December 2019 to 23 December 2034; 156 monthly instalments (principal and interests), starting from 23 December 2021. |
| O-Bank unsecured bank loans | 100,000 | 0.98% | 29 November 2021 to 01 November 2024; 7 quarterly instalments (principal and interests), starting from 01 May 2023. |
| CTBC secured bank loans | 175,000 | 1.34% | 30 June 2020 to 30 June 2023; Quarterly instalments (principal) of NT$17,500 thousand, from 30 September 2020 to the maturity date, 30 June 2023. Repaid the remaining outstanding principal at maturity date with floating interest rate. |
| CTBC syndicated bank loans | 455,157 | 2.34% | 27 November 2020 to 27 November 2025; 19 quarterly instalments (principal and interests), starting from 26 May 2021. |
| Subtotal | 1,264,157 | | |
| Less: unamortized issuance cost | (13,972) | | |
| Subtotal | 1,250,185 | | |
| Less: current portion | (222,093) | | |
| Total | $1,028,092 | | |

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

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

①Current ratio shall not be less than 120%

②Financial liability ratio (financial liabilities over EBITDA) shall not be higher than 3.

③Interest coverage ratio (EBITDA over interest expense) shall not be less than 5.

④In the event that the borrower violates the restriction defined in the contract, the Agent or at the request of the majority lenders has the right pursuant to covenants to take actions, including the steps below but not limited to:

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

b. All the outstanding loans, together with accrued interest, and other amounts due to the Agent and the Banks (collectively, "Liabilities") to become immediately due and payable.

c. Notify the Banks that the deposits the Borrowers maintain at the Banks and all of the Borrower's claims from the Banks shall offset with all the Liabilities under the agreement.

d. Claim for the security.
e. Request the maker of the promissory note under the agreement to repay the outstanding Liabilities.
f. Claim all the outstanding Liabilities from the joint guarantor.
g. Has the power to enter into, perform, or exercise all rights under applicable law, the loan agreement, and other relevant documents, without sending out a reminder, protest or any other notification in accordance with applicable law,.

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

(3) The secured loan entered between Bora Pharmaceutical Laboratories Inc. (the "Borrower") with CTBC Bank that expired in March 2021, has been extended to 30 June 2024, with a quarterly installments of NT$17,500 thousand. During the term of the contract, the Company (the "Guarantor") should be compiled with following financial covenants. The financial covenants shall be tested based on audited or reviewed financial statements on a semi-annually basis. The following financial covenants was amended as follow since May 2021.

① The Guarantor's current ratio shall not be less than 120%.
② The Guarantor's debt ratio (total liabilities over tangible net assets) shall not be higher than 180 % by the end of 2021 and 150% since 2022.
③ The Guarantor's interest coverage ratio (EBITDA over interest expense) shall not be less than 5.
④ The Guarantor's tangible net assets shall be maintained NT$1,600,000 thousand above.
⑤ The aforementioned financial ratios shall be reviewed by 15 April and 31 August every year, with the first test date at 31 August 2021.
⑥ On the circumstances that the borrower breaks the restriction defined in the contract, CTBC Bank has the right pursuant to covenants to take actions, including the steps below but not limited to:
a. Terminate the loan or reduce the amount.
b. Shortening the credit period of the loan.
c. Declare the loan then outstanding to be due and payable in whole, and thereupon the principal of the loan so declared to be due and payable, together with accrued interest thereon and all fees and other obligations.

(4) The Company's subsidiary, Bora Pharmaceutical Service Inc. (the "Borrower"), entered into a secured loan agreement with CTBC Bank amounted to NT$357,948 thousand (CAD$15,789 thousand) with the pledges of real estates as mortgage. Please refer to Note VII for more details on pledges for the loan. This facility replaces the original syndicated facility entered into on August 13, 2020. The contract term of the loan is from 27 November 2022 to 27 November 2025 with total available line of NT$357,948 thousand (CAD$15,789 thousand) which were fully utilized at signing date. 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-annually basis:

①The 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%.
②The Guarantor's current ratio shall not be less than 120%.

③In 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 are 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 31 December 2022.

18. Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended 31 December 2022 and 2021 are NT$70,821 thousand and NT$52,614 thousand, respectively.

Defined benefits plan

Bora Pharmaceutical Services Inc.

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

As of 31, December, 2022, the estimated defined benefits cost for year 2023 are NT$7,219 thousand.

Pension costs recognized in profit or loss are as follows:

| | 2022 | 2021 |
|---|---|---|
| Current service cost (Note) | $8,421 | $13,633 |
| Net interest on the net defined benefit liabilities | 538 | 398 |
| Total | $8,959 | $14,031 |

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

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

| | 31 December 2022 | 31 December 2021 | 1 January 2021 |
|---|---|---|---|
| Defined benefit obligation | $12,389 | $8,453 | $1,090 |
| Plan assets at fair value | - | - | - |
| Provisions-non-current | $12,389 | $8,453 | $1,090 |

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

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit obligation/ (assets) |
|---|---|---|---|
| As of 1 January 2021 | $1,090 | $- | $1,090 |
| Current service cost | 13,633 | - | 13,633 |
| Interest expense | 398 | - | 398 |
| Subtotal | 15,121 | - | 15,121 |
| Remeasurement of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | (640) | - | (640) |
| Experience adjustments | (5,530) | - | (5,530) |
| Remeasurement of the defined benefit assets | - | - | - |
| Subtotal | (6,170) | - | (6,170) |
| Benefit paid by the employer | - | - | - |
| Employer Contribution | - | - | - |
| Exchange differences | (498) | - | (498) |
| As of 31 December 2021 | 8,453 | - | 8,453 |
| Current service cost | 8,421 | - | 8,421 |
| Interest expense | 538 | - | 538 |
| Subtotal | 17,412 | - | 17,412 |
| Remeasurement of the net defined benefit liability (asset): | | | |
| Return on plan assets excluding interest income | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | (4,811) | - | (4,811) |
| Experience adjustments | (535) | - | (535) |
| Remeasurement of the defined benefit assets | - | - | - |
| Subtotal | (5,346) | - | (5,346) |
| Benefit paid by the employer | - | - | - |
| Employer Contribution | - | - | - |
| Exchange differences | 323 | - | 323 |
| As of 31 December 2022 | $12,389 | $- | $12,389 |

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

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Discount rate | 5.10% | 3.10% |
| Initial trend rate | 5.18% | 5.20% |
| Ultimate trend rate | 4.00% | 4.00% |

Sensitivity analysis when main actuarial assumption change was as follows:

| | January 1, 2022~ December 31, 2022 | | January 1, 2021~ December 31, 2021 | |
|---|---|---|---|---|
| | Defined benefit obligations | | Defined benefit obligations | |
| | Increase by | Decrease by | Increase by | Decrease by |
| Discount rate decrease/increase by 1% | $2,158 | $(1,775) | $1,717 | $(1,373) |
| Trend rate decrease/increase by 1% | 428 | (510) | 1,479 | (679) |

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

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

<u>TWi Pharmaceuticals, Inc.</u>

TWi Pharmaceuticals, Inc., a subsidiary of the Company, adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. As of 31 December 2022, TWi Pharmaceuticals, Inc. expects to contribute NT$365 thousand to its defined benefit plan in 2023. As of 31 December 2022, the average duration of the defined benefits plan obligation is 12 years.

Pension costs recognized in profit or loss are as follows:

| | 2022 |
|---|---|
| Current service cost | $- |
| Net interest on the net defined benefit liabilities (assets) | (24) |
| Total | $(24) |

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

| | 31 December 2022 |
|---|---|
| Defined benefit obligation | $5,133 |
| Plan assets at fair value | (8,943) |
| Net defined benefit assets | $(3,810) |

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

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit obligation/ (assets) |
|---|---|---|---|
| As of 1 January 2021 | $4,546 | $(7,637) | $(3,072) |
| Pension costs recognized in profit or loss: | | | |
| Interest expense (revenue) | 18 | (31) | (13) |
| Subtotal | 4,583 | (7,668) | (3,085) |
| Remeasurement of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 6 | - | 6 |
| Actuarial gains and losses arising from changes in financial assumptions | (173) | - | (173) |
| Experience adjustments | 118 | - | 118 |
| Remeasurement of the defined benefit assets | - | (107) | (107) |
| Subtotal | (49) | (107) | (156) |
| Benefit paid by the employer | - | (130) | (130) |
| As of 31 December 2021 | 4,534 | (7,960) | (3,394) |
| Pension costs recognized in profit or loss: | | | |
| Interest expense(revenue) | 32 | (55) | (23) |
| Subtotal | 4,566 | (7,960) | (3,394) |
| Remeasurement of the net defined benefit liability (asset): | | | |

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit obligation/ (assets) |
|---|---|---|---|
| Actuarial gains and losses arising from changes in financial assumptions | (422) | - | (422) |
| Experience adjustments | 989 | - | 989 |
| Remeasurement of the defined benefit assets | - | (587) | (587) |
| Subtotal | 5,133 | (8,547) | (3,414) |
| Benefit paid by the employer | - | - | - |
| Employer Contribution | - | (396) | (396) |
| As of 31 December 2022 | $5,133 | $(8,943) | $(3,810) |

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

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Discount rate | 1.40% | 0.70% |
| Expected rate of salary increases | 4.00% | 4.00% |

Sensitivity analysis when main actuarial assumption change was as follows:

| | January 1, 2022~ December 31, 2022 | | January 1, 2021~ December 31, 2021 | |
|---|---|---|---|---|
| | Defined benefit obligations | | Defined benefit obligations | |
| | Increase by | Decrease by | Increase by | Decrease by |
| Discount rate increase by 0.25% | $- | $(140) | $- | $(133) |
| Discount rate decrease by 0.25% | 146 | - | 138 | - |
| Future salary increase by 0.25% | 129 | - | 122 | - |
| Future salary decrease by 0.25% | - | (125) | - | (118) |

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

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

## 19. Provision

| | Onerous contracts | Sales returns and discounts | Employee benefits | Total |
|---|---|---|---|---|
| 1 January 2022 | $397,980 | $- | $154,206 | $552,186 |
| Acquisitions through business combinations | - | - | 3,880 | 3,880 |
| Arising during the period | - | - | 17,717 | 17,717 |
| Utilized | (106,880) | - | (14,648) | (121,528) |
| Discount rate adjustment and unwinding of discount from the passage of time | - | - | (5,399) | (5,399) |
| Exchange differences | 20,384 | - | 8,857 | (29,241) |
| 31 December 2022 | $311,484 | $- | $164,613 | $476,097 |
| | | | | |
| 1 January 2021 | $633,943 | $7,937 | $168,717 | $810,597 |
| Arising during the period | - | 1,112 | 14,807 | 15,919 |
| Utilized | (222,560) | (9,049) | (18,046) | (249,655) |
| Discount rate adjustment and unwinding of discount from the passage of time | - | - | (6,170) | (6,170) |
| Exchange differences | (13,403) | - | (5,102) | (18,505) |
| 31 December 2021 | $397,980 | $- | $154,206 | $552,186 |
| | | | | |
| Current－31 December 2022 | $106,177 | $- | $28,204 | $134,381 |
| Non-current－31 December 2022 | $205,307 | $- | $136,409 | $341,716 |
| | | | | |
| Current－31 December 2021 | $100,923 | $- | $17,930 | $118,853 |
| Non-current－31 December 2021 | $297,057 | $- | $136,276 | $433,333 |

Onerous contracts

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

Sales returns and discounts

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

Employee benefits

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

20. Equity

(1) Common stock

① As of 31 December 2022 and 2021, the Company's authorized capital was NT$1,200,000 thousand consisting of 120,000 thousand shares of ordinary stock with par value at NT$10 per share. The outstanding shares amounted to NT$753,815 thousand and NT$684,123 thousand consisting of 75,382 thousand shares and 68,412 thousand shares, respectively. Each share has one voting right and is entitled to receive dividends.

② Capitalization of stock dividends in the amount of NT$135,289 thousand with par value at NT$10 per share was approved and 13,529 thousand common shares were authorized for issue by the Board of shareholders on 9 July 2021. Each share has one voting right and a right to receive dividends. The capital injection was approved by the Financial Supervisory Commission on 30 September 2021 and the amendment registration was completed.

③ In 2021, the company's employee stock option holders have converted 768 thousand shares at the subscription price of NT $81.5 per share and 66 thousand shares at NT$65.4 per share.

④ In 2022, the company's employee stock option holders have converted 51 thousand shares at the subscription price of NT $65.4 per share and 4 thousand shares at NT$140.3 per share, of which 4 thousand shares have not completed the registration process, and were recognized as share capital - advance receipts for ordinary share.

⑤ Capitalization of stock dividends in the amount of NT$68,522 thousand with par value at NT$10 per share was approved and 6,852 thousand common shares were authorized for issue by the Board of shareholders on 24 May 2022. The capital injection was approved by the Financial Supervisory Commission on 16 September 2022 and the amendment registration was completed.

⑥ In 2022, the company's 2nd convertible bond amounted to NT$92,000 thousand had been converted to 307 thousand of ordinary shares with an amount of NT$83,470 thousand recognized in equity by bondholders. All the converted shares have not completed the registration process, and were recognized as share capital - advance receipts for ordinary share.

(2) Capital surplus

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

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

(3) Treasury stock

a. Changes in treasury stock are as follows:

For the year ended 31 December 2022: (Unit: thousand shares)

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

For the year ended 31 December 2021: None

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

(4) Retained earnings and dividend policies

According to the 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 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 the board of directors' meeting on 26 March 2023 and shareholders' meeting on 24 May 2022, respectively, are as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | $139,065 | $74,974 | $- | $- |
| Special reserve | (23,919) | 19,019 | - | - |
| Common stock－cash dividend | 617,095 | 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 into ordinary shares.

Please refer to Note VI.24 for details on employees' compensation and remuneration to directors and supervisors.

21. Non-controlling interests

| | 2022 | 2021 |
|---|---|---|
| Beginning balance | $- | $- |
| Profit attributable to non-controlling interests | 9,609 | - |
| Acquisition of new shares in a subsidiary not in proportionate to ownership interest | 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 | - |
| Adjustments due to the acquisition of new shares in a subsidiary not in proportionate to ownership interest | 1,282 | - |
| Issuance of employee stock option by subsidiaries | 2,036 | - |
| Ending balance | $612,134 | $- |

22. Share-based payment plans

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

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

On 13 July 2018, 4 November 2020, and 10 January 2022, the Company was authorized by the Securities and Futures Bureau of the FSC, Executive Yuan, to issue employee share options with a total number of 1,000, 1,000 and 1000 units, respectively. Each unit entitles an optionee to subscribe for 1,000 shares of the Company's common shares. The exercise price of the option was set at the closing price of the Company's common share on the grant date. Only the employees of the Company and the Company's domestic and overseas subsidiaries, for which the company holds over 50% of shares with voting right on them, are eligible for the plan. The options are given to full-time employee that the optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

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

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

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

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

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

| | 2022 | | |
|---|---|---|---|
| Dividend yield (%) | - | - | - |
| Expected volatility (%) | 50.80%~51.80% | 48.02%~48.84% | 45.29%~46.42% |
| Risk-free interest rate (%) | 1.112% ~ 1.122% | 0.992% ~ 1.027% | 0.995% ~ 1.038% |
| Expected option life (Years) | 3.0 ~ 3.5 | 3.0 ~ 3.5 | 3.0 ~ 3.5 |
| Weighted average share price ($) | $388 | $339 | $161 |
| Option pricing model | Black-Scholes option pricing model | Black-Scholes option pricing model | Black-Scholes option pricing model |

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

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

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of share options outstanding (in thousands) | Weighted average exercise price of share options (NT$) | Number of share options outstanding (in thousands) | Weighted average exercise price of share options (NT$) |
| Outstanding, beginning | 935 | 188.6 | 1,195 | 108.1 |
| Granted | 982 | 261.1 | 598 | 220.7 |
| Forfeited | (102) | 197.5 | (24) | 180.8 |
| Exercised | (55) | 70.8 | (834) | 80.2 |
| Expired | (35) | 65.4 | - | - |
| Outstanding, ending | 1,725 | 225.2 | 935 | 188.6 |
| Exercisable, ending | 78 | - | 86 | - |

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

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

(2) Share-based payment plan for employees 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. 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 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 three and five years. There are no cash settlement alternatives.

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

| Date of grant | Total number of share options granted (Unit) | Exercise price of share options (NT$) (Note) |
|---|---|---|
| 1 July 2022 | 3,780 | $28 |
| 25 July 2022 | 150 | $28 |
| 20 December 2022 | 1,257 | $28 |

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 |

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

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

| | 2022 | |
|---|---|---|
| | Number of share options outstanding (in thousands) | Weighted average exercise price of share options (NT$) |
| Outstanding at beginning of period | - | - |
| Granted | 5,187 | $28 |
| Forfeited | - | - |
| Exercised | - | - |
| Expired | - | - |
| Outstanding at end of period | 5,187 | $28 |
| Exercisable at end of period | - | - |

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

| | Range of exercise price | Weighted average remaining contractual life (Years) |
|---|---|---|
| As of 31 December 2022 share options outstanding | $28 | 3.24~3.48 |
| As of 31 December 2021 share options outstanding | None | None |

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

No modification or cancellation of share-based payment plan has occurred for the years ended 31 December 2022 and 2021.

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

| | 2022 | 2021 |
|---|---|---|
| Total expense arising from equity-settled share-based payment transactions | $31,826 | $15,770 |

20. Operating revenue

Analysis of revenue from contracts with customers for the years ended 31 December 2022 and 2021 are as follows:

(1) Disaggregation of revenue

| | 2022 | 2021 |
|---|---|---|
| Revenue from contracts with customers | | |
| Sales of goods | $5,698,163 | $491,376 |
| CDMO – services and manufacturing | 4,787,812 | 4,406,648 |
| Others | 8,495 | 1,861 |
| Total | $10,494,470 | $4,899,885 |

| Timing of revenue recognition: | 2022 | 2021 |
|---|---|---|
| At a point in time | $10,245,716 | $4,899,885 |
| Over time | 248,754 | - |
| Total | $10,494,470 | $4,899,885 |

(2) Contract assets – current

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| CDMO – services and manufacturing | $35,197 | $- |

The significant changes in the Group's balances of contract assets for the years ended 31 December 2022 and 2021 are mainly due to business combinations and the amount transferred from accounts receivable as a result of no unconditional right to collect considerations of contracts at the balance sheet date.

(3) Contract liabilities

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Sales of goods | $14,866 | $20,471 |
| CDMO – services and manufacturing | 75,010 | - |
| Total | $89,876 | $20,471 |
| Current | $85,692 | $20,471 |
| Non-current | $4,184 | $- |
| Total | $89,876 | $20,471 |

The significant changes in the Group's balances of contract liabilities for the years ended 31 December 2022 and 2021 are mainly due to business combinations and the increase of advance receipts.

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

| | Sales allowance and discount |
|---|---|
| Balance as of 1 January 2022 | $65,372 |
| Addition through business combinations | 1,794,855 |
| Addition/(reversal) | 3,972,208 |
| Payment | (3,830,924) |
| Exchange differences | 22,064 |
| Balance as of 31 December 2022 | $2,023,565 |

Refund liabilities represents the estimated sales discounts and allowance.

21. Expected credit losses/ (gains)

| | 2022 | 2021 |
|---|---|---|
| Operating expenses – expected credit losses/(gains) | | |
| Receivables | $5,919 | $1,067 |

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

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

Provisions for receivables, including notes receivable 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 at 31 December 2022 and 2021 is as follows:

The information on measuring provisions for contract assets and 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 31 December 2022

| Group 1 | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| 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 | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| 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% | 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 | | | | | | | $6,084,950 |

As of 31 December 2021

| Group 1 | | | | Overdue | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $474,760 | $39,914 | $1,654 | $- | $5,509 | $1,246 | $523,083 |
| Loss rate | 0% | 0% | 0% | 0% | 0% | 0% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - |
| Net | 474,760 | 39,914 | 1,654 | - | 5,509 | 1,246 | 523,083 |
| Group 2 | | | | overdue | | | |
| | Not past due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross | $300,688 | $998 | $3 | $- | $11 | $2,285 | $303,985 |
| Loss rate | 0% | 1.92% | 37.19% | 37.37% | 56.27% | 83.82%-100% | |
| Lifetime expected credit losses | - | (1) | (2) | - | (6) | (2,285) | (2,294) |
| Net | $300,688 | $997 | $1 | $- | $5 | $- | $301,691 |
| Receivables, net | | | | | | | $824,774 |

Note: The Group's notes receivables are not overdue.

The movement of loss allowance for contract assets and receivables for the years ended 31 December 2022 and 2021 is as follows:

| | Accounts receivables | Contract assets |
|---|---|---|
| Balance as of 1 January 2022 | $2,294 | $- |
| Acquiring through business combinations | 2,104 | - |
| Provision/(reversal) | 5,919 | - |
| Exchange differences | (3) | - |
| Balance as of 31 December 2022 | $10,314 | $- |
| | | |
| Balance as of 1 January 2021 | $1,227 | $- |
| Provision /(reversal) | 1,067 | - |
| Balance as of 31 December 2021 | $2,294 | $- |

22. Leases

(1) Group as a lessee

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

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

A. Amounts recognized in the balance sheets

(a) Right-of-use assets

The carrying amount of right-of-use assets

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Land | $27,895 | $276,151 |
| Buildings | 626,238 | 38,003 |
| Machine & equipment | 973 | - |
| Transportation equipment | 90 | 2,390 |
| Total | $655,196 | $316,544 |

For the year ended 31 December 2022, the additions to right-of-use assets were NT$169,970 thousand and the right-of-use assets acquired through business combinations were NT$205,428 thousand. There was no addition to right-of-use assets for the year ended 31 December 2021.

(b) Lease liabilities

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Lease liabilities | $672,186 | $323,509 |
| Current | $75,307 | $17,544 |
| Non-current | $596,879 | $305,965 |

Please refer to Note VI.25 for the interest on lease liabilities recognized during the years ended 31 December 2022 and 2021 and refer to Note XII.5 for more details on the liquidity risk management analysis for lease liabilities.

B. Amounts recognized in the statements of comprehensive income

Depreciation charge for right-of-use assets

| | 2022 | 2021 |
|---|---|---|
| Land | $1,799 | $9,522 |
| Buildings | 35,497 | 9,245 |
| Machine & equipment | 1,210 | - |
| Transportation equipment | 34 | 1,276 |
| Total | $38,540 | $20,043 |

C. Income and costs relating to leasing activities

| | 2022 | 2021 |
|---|---|---|
| Expenses relating to short-term leases | $3,378 | $12,867 |
| Expenses relating to leases of low-value assets (Exclude expenses relating to short-term leases of low-value assets) | 359 | 533 |

D. Cash outflow relating to leasing activities

During the years ended 31 December 2022 and 2021, the Group's total cash outflows for leases amounted to NT$49,693 thousand and NT$35,637 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.

| | 2022 | 2021 |
|---|---|---|
| Lease income from operating leases | | |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | $8,990 | $45,310 |

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 31 December 2022 and 2021 are as follow:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Not later than one year | $8,886 | $8,940 |
| Later than one year but not later than two years | 8,571 | 8,879 |
| Later than two years but not later than three years | 8,571 | 8,571 |
| Later than three years but not later than four years | 8,571 | 8,571 |
| Later than four years but not later than five years | 8,571 | 8,571 |
| Later than five years | 7,257 | 15,829 |
| Total | $50,427 | $59,361 |

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

| Function / Character | For the years ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense: | | | | | | |
| Wages and salaries | $1,006,747 | $467,600 | $1,474,347 | $909,333 | $348,882 | $1,258,215 |
| Labor and health insurance | 86,588 | 16,111 | 102,699 | 50,490 | 34,631 | 85,121 |
| Pension costs | 54,723 | 16,098 | 70,821 | 41,756 | 10,858 | 52,614 |
| Other employee benefits expense | 74,813 | 24,078 | 98,891 | 63,017 | 18,345 | 81,362 |
| Depreciation | 217,551 | 41,223 | 258,774 | 162,359 | 18,752 | 181,111 |
| Amortization | 55,239 | 11,173 | 66,412 | 19,494 | 9,560 | 29,054 |

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

The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2022 to be NT$37,829 thousand and NT$15,131 thousand, respectively. The aforementioned amounts were recognized as employee benefits expense. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 to be NT$22,382 thousand and NT$10,815 thousand, respectively.

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

A resolution was approved at a Board of Directors meeting held on 9 March 2023 to distribute NT$17,678 thousand and NT$8,839 thousand in cash as employees' compensation and remuneration to directors for year 2021, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2021 amounted to NT$4,704 thousand and NT$1,976 thousand, respectively, was reversed and recognized in profit or loss in 2022.

## 24. Non-operating income and expenses

### (1) Other revenue

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Interest income | $11,364 | $223 |
| Others | 19,320 | 47,679 |
| Total | $30,684 | $47,902 |

### (2) Other gains and losses

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| (Losses) on disposal of property, plant and equipment | $(2,357) | $(2,238) |
| Foreign exchange gain (losses) | 47,923 | (14,407) |
| (Losses) gain on financial assets at fair value through profit or loss | (48,289) | 781 |
| Others | (1,409) | (445) |
| Total | $(4,132) | $(16,309) |

### (3) Financial costs

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Interest expenses from bank borrowings | $95,580 | $47,407 |
| Interest expenses from bonds payable | 3,825 | - |
| Interest expenses from lease liabilities | 8,729 | 6,209 |
| Others | 593 | - |
| Total | $108,727 | $53,616 |

## 25. Components of other comprehensive income ("OCI")

Year ended 31 December 2022

| | Arising | Reclassification | before tax | Tax (Expense) | Net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Remeasurement of the defined benefit plan | $5,418 | $- | $5,418 | $(1,434) | $3,984 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Translation differences of foreign operations | 73,805 | - | 73,805 | (14,761) | 59,044 |
| Total comprehensive income | $79,223 | $- | $79,223 | $(16,195) | $63,028 |

Year ended 31 December 2021

| | Arising | Reclassification | before tax | Tax (Expense) | Net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Remeasurement of the defined benefit plan | $6,170 | $- | $6,170 | $(1,635) | $4,535 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Translation differences of foreign operations | (49,257) | - | (49,257) | 9,851 | (39,406) |
| Total comprehensive income | $(43,087) | $- | $(43,087) | $8,216 | $(34,871) |

26. Income tax

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

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

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Current income tax expense (income): | | |
| Current income tax expense | $316,375 | $53,424 |
| Adjustments in respect of prior periods | (1,938) | 27 |
| Deferred tax expense (income): | | |
| The origination and reversal of temporary differences | 89,974 | 284,107 |
| Net operating tax loss | 34,065 | 115,604 |
| Reversal of allowance of deferred tax asset | - | (178,930) |
| Total income tax expense | $438,476 | $274,232 |

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

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Deferred tax expense (income): | | |
| Translation differences of foreign operations | $14,761 | $(9,851) |
| Remeasurement of the defined benefit plan | 1,434 | 1,635 |
| Income tax relating to other comprehensive income | $16,195 | $(8,216) |

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

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Net income before income tax | $1,840,001 | $1,023,968 |
| Income tax expense at the statutory rate | $860,441 | $518,741 |
| Revenues exempt from income tax | (258,099) | (118,402) |
| Expenses disallowed for tax purposes | 8,245 | 1,298 |
| Change in deferred income assets/liabilities | (185,867) | (138,936) |
| Tax on undistributed retained earnings | 15,694 | 13,073 |
| Prior year income tax (over)underestimation | (1,938) | 27 |
| Others | - | (1,569) |
| Total income tax expense recognized in profit or loss | $438,476 | $274,232 |

(4) Movements of deferred tax assets (liabilities) are as follows:

For the year ended 31 December 2022

| | 1 January 2022 | Recognized in profit or loss | Recognized in other comprehensive income | Acquired in business combinations | Others | Exchange differences | 31 December 2022 |
|---|---|---|---|---|---|---|---|
| Temporary differences: | | | | | | | |
| Unrealized loss on inventories | $3,245 | $1,97 | $- | $21,351 | $- | $53 | $24,846 |
| Unrealized sales returns and discounts | 1,631 | 28,046 | - | 74,542 | - | 1,555 | 105,814 |
| Equity element of convertible bond | - | - | - | - | (23,670) | - | (23,670) |
| Unrealized expense | 2,049 | (956) | - | 111,902 | - | 938 | 113,933 |
| Land Value Increment Tax | - | - | - | (54,908) | - | - | (54,908) |
| Foreign investment income under equity method | (207,819) | (148,014) | - | - | - | - | (355,833) |
| Business combination – negative goodwill | (60,931) | - | - | - | - | - | (60,931) |
| Impairment loss of property, plant and equipment | 213,631 | 22,264 | - | 12,007 | - | - | 247,902 |
| Exchange differences on translation of foreign operations | 5,889 | - | (14,761) | (1,764) | - | - | (10,636) |
| Fair value adjustments arising in business combinations | (202,920) | 116,830 | - | - | - | (11,009) | (97,099) |
| Depreciation of property, plant and equipment | (137,252) | 15,572 | - | - | - | (6,820) | (128,500) |
| Unrealized intragroup profits and losses | 208 | (38,951) | - | 94,727 | - | - | 54,984 |
| Others | 975 | (42,975) | (1,434) | 45,628 | - | (150) | 2,044 |
| Unused tax losses | 15,300 | (75,092) | - | 252,634 | - | - | 192,842 |
| Unused tax credits | - | - | - | 76,000 | - | - | 76,000 |
| Deferred tax (expense) | | $(124,039) | $(16,195) | $632,119 | $(23,670) | $(15,433) | |
| Net deferred tax assets/(liabilities) | $(365,994) | | | | | | $86,788 |
| | | | | | | | |
| Balance sheets: | | | | | | | |
| Deferred tax assets | $243,775 | | | | | | $829,636 |
| Deferred tax liabilities | $609,769 | | | | | | $742,848 |

For the year ended 31 December 2021

| | 1 January 2021 | Recognized in profit or loss | Recognized in other comprehensive income | Acquired in business combinations | Exchange differences | 31 December 2021 |
|---|---|---|---|---|---|---|
| Temporary differences | | | | | | |
| Unrealized loss on inventories | $1,900 | $1,345 | $- | $- | $- | $3,245 |
| Unrealized sales returns and discounts | 1,587 | 44 | - | - | - | 1,631 |
| Foreign investment income under equity method | - | (207,819) | - | - | - | (207,819) |
| Business combination – negative goodwill | (60,931) | - | - | - | - | (60,931) |
| Impairment loss of property, plant and equipment | 30,754 | 182,877 | - | - | - | 213,631 |
| Exchange differences on translation of foreign operations | (3,962) | - | 9,851 | - | - | 5,889 |
| Fair value adjustments arising in business combinations | (147,089) | (62,692) | - | - | 6,861 | (202,920) |
| Depreciation of property, plant and equipment | (105,634) | (35,736) | - | - | 4,118 | (137,252) |
| Others | 2,867 | 1,503 | (1,635) | - | 497 | 3,232 |
| Unused tax losses | 115,587 | (100,304) | - | - | 17 | 15,300 |
| Deferred tax income/ (expense) | | $(220,781) | $8,216 | $- | $11,492 | |
| Net deferred tax assets/(liabilities) | $(164,921) | | | | | $(365,994) |
| Balance sheets: | | | | | | |
| Deferred tax assets | $37,092 | | | | | $243,775 |
| Deferred tax liabilities | $202,013 | | | | | $609,769 |

The following table contains information of the unused tax losses of the Group:

| Year | Tax losses for the period | Unused tax losses as of 31 December 2022 | Unused tax losses as of 31 December 2021 | Expiration year |
|---|---|---|---|---|
| 2012 | $399,754 | $- | $399,754 | 2022 |
| 2013 | 380,414 | - | 380,414 | 2023 |
| 2014 | 639,978 | - | 624,002 | 2024 |
| 2015 | 197,025 | - | 197,025 | 2025 |
| 2016 | 37,908 | - | 37,908 | 2025 |
| 2017 | 55,127 | - | 55,127 | 2027 |
| 2018 | 433,687 | 366,501 | 433,688 | 2028 |
| 2019 | 149,396 | 115,798 | 389,406 | - |
| 2020 | 242,427 | 170,629 | 242,427 | 2030 |
| 2021 | 774,234 | 597,216 | 795,733 | 2031 |
| 2022 | 94,522 | 94,522 | - | 2032 |
| | | $1,344,666 | $3,555,484 | |

Note: According to Article 38 of the Business Mergers and Acquisitions Act and Decree No. 0920454432 issued by the MOF on 13 August 2003 with regards to 5 years loss carryforwards, for the loss determined by the authority when a dissolved profit-seeking enterprise in a division made its current final report in accordance with Article 75 of the Income Tax Act, the surviving company or the newly incorporated company after the division may deduct the loss from its net profit of the current year upon the year the loss takes place. However, such deductible loss is limited to the amount calculated by the stock split ratio multiplies the shareholding ratio of the surviving company or the newly incorporated company held by each shareholder due to the division.

(4) Unrecognized deferred tax assets

As of 31 December 2022 and 2021, deferred tax assets have not been recognized amounted to NT$144,650 thousand and NT$58,662 thousand, respectively.

(5) The assessment of income tax returns

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

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2020 |
| Union Chemical & Pharmaceutical Co., Ltd. | Assessed and approved up to 2020 |
| Bora Health Inc. | Assessed and approved up to 2020 |
| Bora Pharmaceutical Laboratories Inc. | Assessed and approved up to 2020 |
| TWi Pharmaceuticals, Inc. | Assessed and approved up to 2019 |
| Synpac-Kingdom Pharmaceutical Co., Ltd. | Assessed and approved up to 2020 |
| Bora Biologics Co., Ltd. | Note 1 |
| Bora Pharmaceutical and Consumer Health Inc. | Note 2 |
| Bora Management Consulting Co., Ltd. | Note 3 |

Note 1: As of 31 December 2022, there was no assessments of income tax returns as Bora Biologics Co., Ltd. was set up in December 2021.

Note 2: As of 31 December 2022, there was no assessments of income tax returns as Bora Pharmaceutical and Consumer Health Inc. was set up in June 2022.

Note 3: As of 31 December 2022, there was no assessments of income tax returns as Bora Management Consulting Co., Ltd. was set up in April 2021.

27. Earnings per share

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

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

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| (1) Basic earnings per share | | |
| Profit attributable to ordinary shareholders of the Company (in thousand NT$) | $1,391,916 | $749,736 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 75,140 | 74,711 |
| Basic earnings per share (NT$) | $18.52 | $10.04 |

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

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

28. 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:

| | Fair value recognized on the acquisition date |
|---|---|
| Property, plant and equipment: | |
| Machinery and equipment | $175,042 |
| R&D equipment | 169,083 |
| Leasehold improvements | 169,307 |
| Others | 7,541 |
| Subtotal | 520,973 |
| Intangible assets | 31,835 |
| Others assets | 9,513 |
| Identifiable net assets at fair value | $562,322 |

| | |
|---|---|
| Goodwill is as follows: | |
| Purchase consideration | $1,491,203 |
| Less: identifiable net assets at fair value | (562,322) |
| Goodwill | $928,881 |

Acquisition consideration

| | |
|---|---|
| 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 | $1,419,203 |

| | |
|---|---|
| Analysis of cash flows on acquisition: | |
| Net cash flow on acquisition | $(1,432,552) |

Intangible assets include outstanding contracts and computer software amortized on a straight-line basis over the estimated economic lives. The net income from continuing operations generated from the acquisition of business assets and CDMO business is NT$25,855 thousand from the acquisition date to 31 December 2022.

Contingent considerations

As part of the asset purchase agreement, Bora Bio shall make an additional purchase price to Eden 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:

(a) 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
(b) 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:

(a) 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;
(b) 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;
(c) 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
(d) 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.

As at the acquisition date, the fair value of the contingent consideration was estimated at US$1 thousand (NT$32 thousand, approximately) by applying Binomial options pricing model, (the "SCRR Model") was recognized as financial liabilities measured at fair value through profit or loss, current as of 31 December, 2022.

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:

| | Fair value recognized on the acquisition date |
|---|---|
| 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 | 10,767,149 |
| | |
| Liabilities | |
| Short-term loans | $720,000 |
| Notes payable | 455 |
| Accounts payable | 116,844 |
| Other payables | 1,481,255 |
| income tax liabilities | 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 | 4,547,184 |
| Identifiable net assets | $6,219,965 |

| | |
|---|---|
| Goodwill is as follows: | |
| Purchase considerations | $6,274,670 |
| Less: identifiable net assets at fair value | (6,219,965) |
| Goodwill | $54,705 |

Acquisition considerations

| | |
|---|---|
| Cash | $3,853,261 |
| Other payables | 862,473 |
| Contingent consideration liability | 1,558,936 |
| Total consideration | $6,274,670 |

| | |
|---|---|
| Analysis of cash flows on acquisition: | |
| Cash | $(6,274,670) |
| Other payables | 862,473 |
| Contingent consideration liability | 1,558,936 |
| Net cash acquired through acquisition | 786,578 |
| Net cash flow on acquisition | $(3,066,683) |

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

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

Net income from continuing operations generated from Twi Group for the period from acquisition date to 31 December 2022 was NT$677,772 thousand. If the acquisition had taken place at the beginning of the year, the consolidated revenue and consolidated net income from the continuing operations would be NT$16,869,577 thousand and NT$2,373,272 thousand, respectively.

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 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. As of 31 December 2022, the estimated fair value of the contingent consideration was NT$1,623,149 thousand and is recorded 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.

## 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

| | For the year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Hoan Pharmaceuticals, Ltd. | $35,419 | $36,545 |

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

2. Purchases

| | For the year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Hoan Pharmaceuticals, Ltd. | $68,778 | $61,422 |

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 120 days.

3. Notes Receivable - related party

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $- | $2,233 |

4. Accounts receivable-related party

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $19,707 | $15,117 |
| Less: loss allowance | - | - |
| Net | $19,707 | $15,117 |

5. Notes payable-related party

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $- | $7,596 |

6. Accounts payable -related party

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Hoan Pharmaceuticals, Ltd. | $25,031 | $12,665 |

7. Sales and marketing expenses

| | For the year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Hoan Pharmaceuticals, Ltd. | $10,409 | $4,720 |

8. Key management personnel compensation

| | For the year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Short-term employee benefits | $37,190 | $27,597 |
| Post-employment benefits | 238 | 108 |
| Total | $3,428 | $27,705 |

VIII. Assets pledged as security

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

| | Carrying amount | | |
|---|---|---|---|
| Items | 31 December 2022 | 31 December 2021 | Secured liabilities |
| Financial assets measured at amortized cost | $232,869 | $33,469 | Customs deposit; guarantee bond with Science Park Administration and bank; interest reserved account for syndicated bank loans. Short-term loans and Long-term loans. |
| Property, plant and equipment - land | 2,423,373 | 1,983,704 | Short-term loans and Long-term loans |
| Property, plant and equipment - buildings | 1,414,086 | 1,128,776 | Short-term loans and Long-term loans |
| Investment property | 17,626 | 25,006 | Long-term loans |
| Total | $4,087,954 | $3,170,955 | |

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

IX. Significant contingencies and unrecognized contractual commitments

(1) As of 31 December 2022, the major outstanding construction contracts that the Group entered are as follows:

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

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

the financial covenants.

(3) Contingent items of civil action:

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

X. Losses due to major disasters

None.

XI. Significant subsequent events

For the period from 29 December 2022 to 13 March 2023, NT$604,000 thousand of the 2nd zero coupon unsecured convertible bonds issued by the Company has been converted to 2,013 thousands of common shares. In addition, the company's employee stock option holders have converted 36 thousand shares from 1 January 2023 to 13 January 2023, together with 4 thousand shares recognized as capital collected in advance as of 31 December 2022, totaled 40 thousand shares. A resolution was approved at a Board of Directors meeting held on 16 March 2023 for the capital injection of the above shares converted. After the completion of capital injection registration, the outstanding shares amounted to NT$774,348 thousand consisting of 77,435 thousand shares.

XII. Financial instruments

1. Categories of financial instruments

| Financial assets | As of 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Financial assets measured at fair value through profit or loss: | | |
| Mandatorily measured at fair value through profit or loss | $2,350 | $78 |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents (exclude cash on hand) | 3,280,447 | 910,477 |
| Financial assets measured at amortized cost | 309,644 | 33,469 |
| Notes receivables | 36,900 | 26,558 |
| Accounts receivable | 6,048,050 | 798,216 |
| Other receivables | 286,376 | 33,233 |
| Subtotal | 9,961,417 | 1,801,953 |
| Total | 9,963,767 | 1,802,031 |

| Financial liabilities | As of 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Financial liabilities measured at amortized cost: | | |
| Short-term loans | $2,161,065 | $645,475 |
| Accounts and other payables (including amount recognized in other current liabilities) | 4,754,749 | 698,863 |
| Bonds payable | 642,363 | - |
| Long-term loans (including current portion) | 4,120,101 | 1,250,185 |
| Lease liabilities | 672,186 | 323,509 |
| Subtotal | $12,350,464 | $2,918,032 |
| Financial liabilities at fair value through profit or loss: | | |
| Mandatorily measured at fair value through profit or loss | 501 | - |
| Contingent considerations from business combinations | 1,623,181 | - |
| Subtotal | 1,623,682 | - |
| Total | $13,974,146 | $2,918,032 |

2. Financial risk management objectives and policies

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

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

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise 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 and CAD. The sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the year ended 31 December 2022 and 2021 will be decreased/increased by NT$13,821 thousand and NT$3,228 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, an increase of 10 basis points of interest rate in a reporting period could cause the profit for the year ended 31 December 2022 and 2021 decrease by NT$4,588 thousand and NT$952 thousand, respectively.

If all other factors remain, while the interest rate declines, the impact on profit and loss performance for the years ended 31 December 2022 and 2021 will be the same amount as above but at the opposite direction.

4. Credit risk management

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

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

As of 31 December 2022 and 31 December 2021, accounts receivable from top ten customers represent 74% and 95% 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

| | <= 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| 31 December 2022 | | | | | |
| Borrowings | $2,821,807 | $2,176,352 | $1,268,142 | $321,735 | $6,588,036 |
| Accounts and other payables | 4,347,841 | 406,908 | - | - | 4,754,749 |
| Convertible bonds | - | - | 708,000 | - | 708,000 |
| Lease liabilities (Note) | 82,168 | 162,196 | 130,251 | 400,248 | 774,863 |

| | <= 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| 31 December 2021 | | | | | |
| Borrowings | $888,663 | $534,096 | $203,943 | $353,948 | $1,980,650 |
| Accounts and other payables | 698,863 | - | - | - | 698,863 |
| Lease liabilities (Note) | 23,262 | 45,093 | 36,654 | 294,730 | 399,739 |

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

| | Maturities | | | | | |
|---|---|---|---|---|---|---|
| | Less than 5 year | 5 to 10 years | 11 to 15 years | 16 to 20 years | >21 years | Total |
| 31 December 2022 | $374,615 | $112,251 | $112,251 | $77,504 | $98,242 | $774,863 |
| 31 December 2021 | $105,009 | $61,402 | $61,402 | $61,402 | $110,524 | $399,739 |

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

| | Short-term loans | Long-term loans | Leases liabilities | Total liabilities from financing activities |
|---|---|---|---|---|
| 1 January 2022 | $645,475 | $1,250,185 | $323,509 | $2,219,169 |
| Cash flows | 772,327 | 2,830,800 | (37,227) | 3,565,900 |
| Non-cash changes | | | | |
| Addition | - | - | 170,025 | 170,025 |
| Acquisition | 720,000 | - | 213,704 | 933,704 |
| Issuance Costs | - | 16,607 | - | 16,607 |
| Exchange differences | 23,263 | 22,509 | 2,175 | 47,947 |
| 31 December 2022 | $2,161,065 | $4,120,101 | $672,186 | $6,953,352 |

Reconciliation of liabilities for the year ended 31 December 2021:

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

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 | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| Financial liabilities: | | |
| Bonds payable | $642,363 | $- |

| | Fair value as of | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| Financial liabilities: | | |
| Bonds payable | $657,166 | $- |

(3) Fair value measurement hierarchy for financial instruments

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

8. Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2022 and 31 December 2021 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 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 31 December 2021 | | |
| Forward currency contract | Sell USD 900 thousand | 14 December 2021 to 18 January 2022 |

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

(a) Fair value measurement hierarchy

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

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

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

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

31 December 2022

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| 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 | $- | $501 | $1,623,181 | $1,623,682 |

31 December 2021

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

Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

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

| | Assets/Liabilities measured at fair value through profit or loss | |
|---|---|---|
| | Derivatives | Contingent considerations |
| As of 1 January 2022 | $- | $- |
| Acquisition/issues | (4,640) | (1,558,968) |
| Gains (losses) recognized in profit or loss: | | |
| (presented in "other gains or losses") | 6,976 | (64,213) |
| As of 31 December 2022 | $2,336 | $(1,623,181) |

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

Information on significant unobservable inputs to valuation

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

31 December 2022

| | 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 | Market approach | discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the 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 an decrease by NT$142 thousand in the Group's profit or loss |
| Financial liabilities: | | | | | |
| Contingent consideration | Discounted cash flow | Discount rate | 10.90% | The higher the discount rate, the lower the fair value of the contingent consideration | 1% increase (decrease) in the discount rate would result in an decrease of NT$16,060 thousand or an increase of NT$16,438 thousand in the Group's profit or loss |

31 December 2021

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

<u>Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy</u>

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

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

31 December 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $54,405 | $54,405 |

31 December 2021

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

10. Significant assets and liabilities denominated in foreign currencies

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 |

| | 31 December 2021 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $13,816 | 27.68 | $366,262 |
| | | | |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $1,570 | 27.68 | $43,458 |

The Group mainly uses USD as transaction currency. The Group only disclosures monetary financial assets and financial liabilities of USD. For the years ended 31 December 2022 and 2021, the foreign exchange gain or (losses) on monetary financial assets and financial liabilities amounted to NT$47,923 thousand and NT$(14,407) thousand, respectively.

11. Capital management

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

XIII. Other disclosure

1. Information at significant transactions
   (a) Financing provided to others for the year ended 31 December 2022: Please refer to Attachment 2.
   (b) Endorsement/Guarantee provided to others for the year ended 31 December 2022: Please refer to Attachment 3.
   (c) Securities held as of 31 December 2022: Please refer to Attachment 4.
   (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: Attachment 5.
   (e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock f for the year ended 31 December 2022: None.
   (f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.
   (g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended 31 December 2022: Attachment 6.
   (h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2022: Please refer to Attachment 7.
   (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 8.

3. Investment in Mainland China: None.

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

## XIV. Segment information

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

Sales segment: Selling pharmaceuticals, 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.

Year ended 31 December 2022

| | Sales segment | CDMO segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $5,698,163 | $4,787,812 | $8,495 | $- | $10,494,470 |
| Inter-segment (Note) | 62,378 | 47,266 | 194,352 | (303,996) | - |
| Total revenue | $5,760,541 | $4,835,078 | $202,847 | $(303,996) | $10,494,470 |
| Segment profit | $963,890 | $923,107 | $(14,906) | $(32,090) | $1,840,001 |

Year ended 31 December 2021

| | Sales segment | CDMO segment | Other segment | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $491,376 | $4,406,648 | $1,861 | $- | $4,899,885 |
| Inter-segment (Note) | 41,010 | 11,605 | 83,224 | (135,839) | - |
| Total revenue | $532,386 | $4,418,253 | $85,085 | $(135,839) | $4,899,885 |
| Segment profit | $(28,022) | $1,071,519 | $(20,821) | $1,292 | $1,023,968 |

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

2. Product information:

| Product | For the years ended 31 December 2022 | 2021 |
|---|---|---|
| Pharmaceuticals, generic and healthcare products | $5,760,541 | $532,386 |
| CDMO | 4,835,078 | 4,418,253 |
| Others | 202,847 | 85,085 |
| Adjustment and elimination | (303,996) | (135,839) |
| Total | $10,494,470 | $4,899,885 |

3. Geographic information:

Revenue from external clients:

| Country | For the years ended 31 December 2022 | 2021 |
|---|---|---|
| Europe | $3,129,288 | $3,393,270 |
| U.S.A | 6,514,496 | 861,593 |
| Taiwan and others | 850,686 | 645,022 |
| Total | $10,494,470 | $4,899,885 |

Non-current assets:

| Country | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Canada | $2,332,129 | $2,282,277 |
| U.S.A | 247,549 | 3 |
| Taiwan | 7,940,731 | 2,297,717 |
| Total | $10,520,409 | $4,579,997 |

4. Important client information:

| | For the years ended 31 December 2022 | 2021 |
|---|---|---|
| Client A | $3,033,299 | $3,371,050 |
| Client B | 1,423,393 | - |
| Client C | 1,256,515 | - |
| Client D | 786,669 | - |
| Client E | 506,421 | - |
| Client F | 500,599 | 732,681 |
| Total | $7,506,896 | $4,103,731 |

Attachment 1

Significant inter-company transactions during the period

For the year ended 31 December 2022

| No. (Note 1) | Company Name | Counter-party | Relationship with the Company (Note 2) | Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Terms | Percentage of consolidated operating revenues or consolidated total assets (Note 3) |
| 0 | The Company | Bora Health Inc. | 1 | Operating revenue | 19,845 | 60 days from the date of sale | 0.19% |
| 0 | The Company | Bora Pharmaceutical Laboratories Inc. | 1 | Accounts receivable | 60,666 | 60 days from the date of sale | 0.27% |
| 0 | The Company | Bora Pharmaceutical Laboratories Inc. | 1 | Operating revenue | 19,845 | 60 days from the date of sale | 1.85% |
| 0 | The Company | Bora Pharmaceutical Services Inc. | 1 | Other receivables | 37,243 | 60 days from the date of sale | 0.16% |
| 0 | The Company | Bora Pharmaceutical Services Inc. | 1 | Other revenue | 42,062 | 60 days from the date of sale | 0.40% |
| 0 | Union Chemical & Pharmaceutical Co., Ltd. | Bora Health Inc. | 3 | Operating revenue | 30,254 | 120 days from the date of sale | 0.29% |
| 0 | Bora Pharmaceutical Laboratories Inc. | The Company | 2 | Other receivables | 404,049 | 120 days from the date of sale | 1.78% |
| 0 | Bora Pharmaceutical Laboratories Inc. | Bora Health Inc. | 3 | Operating revenue | 20,913 | 120 days from the date of sale | 0.20% |
| 0 | Bora Pharmaceuticals USA Inc. | Bora Pharmaceutical Services Inc. | 3 | Other revenue | 77,872 | Net 30 days | 0.74% |
| 0 | TWi Pharmaceuticals, Inc. | Bora Pharmaceutical Laboratories Inc. | 3 | Operating revenue | 13,132 | 60 days from the date of sale | 0.13% |
| 0 | TWi Pharmaceuticals, Inc. | Bora Pharmaceutical Laboratories Inc. | 3 | Other receivables | 39,942 | 60 days from the date of sale | 0.18% |
| 0 | TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | 3 | Accounts receivable | 1,643,933 | 180 days from the date of sale | 7.22% |
| 0 | TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | 3 | Operating revenue | 2,213,599 | 180 days from the date of sale | 28.00% |
| 3 | Synpac-Kingdom Pharmaceutical Co., Ltd. | TWi Pharmaceuticals, Inc. | 3 | Operating revenue | 52,166 | 180 days from the date of sale | 0.50% |

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 asset or operating revenues: 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 revenues 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 | | |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Biologics Co., Ltd. | Other receivables-related parties | Yes | $150,000 | $- | $- | - | 2 | $- | Need for operation | $- | None | $- | $1,811,329 | $2,264,161 |
| 1 | Union Chemical & Pharmaceutical Co., Ltd. | Bora Health Inc. | Other receivables-related parties | Yes | $20,000 | $- | $- | - | 2 | $- | Need for operation | $- | None | $- | $18,431 | $23,039 |
| 2 | Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Co., Ltd. | Other receivables-related parties | Yes | $400,000 | $400,000 | $400,000 | 2% | 2 | $- | Need for operation | $- | None | $- | $891,138 | $1,113,922 |

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

(1) Parent Company 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 transaction amounts of prior year. Transaction amounts is defined as amount the higher of sales to or purchases from.

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

Note 3: Ceiling on total loan granted:

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

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

Note 4: Circumstances for the financing provided to others:

(1) Business transaction 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 Biologics Co., Ltd. | 2 | $22,641,610 | $360,000 | $360,000 | $- | $- | 7.95% | $22,641,610 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | TWi Pharmaceuticals, Inc. | 2 | $22,641,610 | $1,000,000 | $1,000,000 | $720,000 | $4,380,123 | 22.08% | $22,641,610 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Health Inc. | 2 | $22,641,610 | $255,000 | $25,000 | $25,000 | $- | 0.55% | $22,641,610 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Laboratories Inc. | 2 | $22,641,610 | $937,500 | $717,500 | $424,273 | $- | 15.84% | $22,641,610 | Y | N | N |
| 0 | Bora Pharmaceuticals Co., Ltd. | Bora Pharmaceutical Services Inc. | 2 | $22,641,610 | $4,609,800 | $2,720,400 | $2,720,400 | $- | 60.08% | $22,641,610 | Y | N | N |
| 1 | Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceutical Services Inc. | 3 | $22,278,439 | $1,773,000 | $- | $- | $- | -% | $22,278,439 | N | N | N |
| 2 | TWi Pharmaceuticals, Inc. | Synpac-Kingdom Pharmaceutical Co., Ltd. | 4 | $829,036 | $200,000 | $200,000 | $200,000- | $162,763- | 4.82% | $2,072,590 | N | N | N |

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

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

(3) An investee in which the Parent holds directly or its subsidiaries hold indirectly, 50% or more of the voting shares.

(4) A parent company in which the company holds directly or the subsidiaries hold indirectly, 50% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) A company in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other,

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

Limit of guarantee/endorsement amount for each receiving party of Bora Pharmaceutical Laboratories Inc. is 10 times of its net worth.

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

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

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

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

Attachment 4

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

| Holding Company | Type and name of securities (Note1) | Relationship | Financial statement account | As of 31 December 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units (thousand) | Carrying amount | Percentage of ownership | Fair value | |
| The Company | Non-listed stock－Taifong Venture Capital Co. | None | Financial assets measured at fair value through other comprehensive income-noncurrent | 490,000 | $-<br>(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

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

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

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

Attachment 6

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

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

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

Attachment 7

Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2022

| Company Name | Counter-party | Relationship | Ending Balance of Receivables from Related Party (Note 1,2) | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Doubtful Debts | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action Taken | | | |
| Bora Pharmaceutical Laboratories Inc. | Bora Pharmaceuticals Co., Ltd. | Subsidiary | Other receivables $404,049 | Note 1 | Note 1 | Note 1 | $- | Note 1 | - |
| TWi Pharmaceuticals, Inc. | TWi Pharmaceuticals USA, Inc. | Parent/ subsidiary | $1,643,933 | 0.35 | $- | - | $600,477 | - | Note 2 |

Note 1: Not applicable as the claim arose from financing provided by subsidiary.

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

Attachment 8

Information on investees: (Excluding investment in Mainland China)

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

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

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

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

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

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

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

Attachment 9

Information on major shareholders

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

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

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

## APPENDIX A—THE SECURITIES MARKET OF THE ROC

*The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchaser or any of our respective affiliates or advisors in connection with this Offering.*

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the Taiwan Stock Exchange ("TWSE") and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission ("SFB"). Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau of the FSC, and its supervisory authority has been transferred from the Ministry of Finance to the FSC.

### THE TAIWAN STOCK EXCHANGE

In 1961, the TWSE is established to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and privately owned banks, securities companies and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the FSC actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 1,018 as of July 31, 2024. As of July 31, 2024, the market capitalization of companies listed on the TWSE was approximately NT$70.8 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the ROC SFB has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE or traded on the Taipei Exchange ("TPEx"). The ROC SFB also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number and distribution of stockholders, including the diversification of such stockholders;
- length of time in business;
- amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses that are engaged in the national economic development.

The following table shows for the periods indicated information relating to the TWSE.

| Period | No. of Listed Companies at Period End | Stock Trading Values | Index High | Index Low | Index at Period End |
|---|---|---|---|---|---|
| | (in NT$ billions) | | | | |
| 1996 | 382 | 12,907.6 | 6,982.81 | 4,690.22 | 6,933.94 |
| 1997 | 404 | 37,241.1 | 10,116.84 | 6,820.35 | 8,187.27 |
| 1998 | 437 | 29,619.0 | 9,277.09 | 6,251.38 | 6,418.43 |
| 1999 | 462 | 29,291.5 | 8,608.91 | 5,474.79 | 8,448.84 |
| 2000 | 531 | 30,526.6 | 10,202.20 | 4,614.63 | 4,739.09 |
| 2001 | 584 | 18,354.9 | 6,104.24 | 3,446.26 | 5,551.24 |
| 2002 | 638 | 21,874.0 | 6,462.30 | 3,850.04 | 4,452.45 |
| 2003 | 669 | 20,333.2 | 6,142.32 | 4,139.50 | 5,890.69 |
| 2004 | 697 | 23,875.4 | 7,034.10 | 5,316.87 | 6,139.69 |
| 2005 | 691 | 18,818.9 | 6,575.53 | 5,632.97 | 6,548.34 |
| 2006 | 688 | 23,900.4 | 7,823.72 | 6,257.80 | 7,823.72 |
| 2007 | 698 | 33,043.8 | 9,809.88 | 7,344.56 | 8,506.28 |
| 2008 | 718 | 26,115.4 | 9,295.20 | 4,089.93 | 4,591.22 |
| 2009 | 741 | 29,680.5 | 8,188.11 | 4,242.61 | 8,188.11 |
| 2010 | 758 | 28,218.7 | 8,972.50 | 7,071.67 | 8,972.50 |
| 2011 | 790 | 26,197.4 | 9,145.35 | 6,633.33 | 7,072.08 |
| 2012 | 809 | 20,238.2 | 8,144.04 | 6,894.66 | 7,699.50 |
| 2013 | 838 | 18,940.9 | 8,623.43 | 7,616.64 | 8,611.51 |
| 2014 | 854 | 21,898.5 | 9,569.17 | 8,264.48 | 9,307.26 |
| 2015 | 874 | 20,191.5 | 9,973.12 | 7,410.34 | 8,338.06 |
| 2016 | 892 | 16,771.1 | 9,392.68 | 7,664.01 | 9,253.50 |
| 2017 | 907 | 23,972.2 | 10,854.57 | 9,272.88 | 10,642.86 |
| 2018 | 928 | 29,608.9 | 11,253.11 | 9,478.99 | 9,727.41 |
| 2019 | 942 | 26,464.6 | 12,122.45 | 9,382.51 | 11,997.14 |
| 2020 | 948 | 45,654.3 | 14,732.53 | 8,681.34 | 14,732.53 |
| 2021 | 959 | 92,290.0 | 18,248.28 | 14,902.03 | 18,218.84 |
| 2022 | 971 | 56,080.6 | 18,526.35 | 12,666.12 | 14,137.69 |
| 2023 | 997 | 63,170.2 | 17,930.81 | 14,199.13 | 17,930.81 |
| 2024 (through July 31, 2024) | 1,018 | 56,670.3 | 24,390.03 | 17,161.79 | 22,199.35 |

*Source: TWSE*

## THE TAIPEI EXCHANGE

To complement the TWSE, the TPEx was established in November 1994 on the initiative of the Ministry of Finance to encourage the trading of securities of companies that do not qualify for listing on the TWSE. As of July 31, 2024, 825 companies had listed equity securities on the TPEx and the total market capitalization of those companies was approximately NT$6.5 trillion. The TPEx has established specific requirements for trading securities on the TPEx based on, among others, the history of a company, the number and distribution of a company's shareholders, amount of capital and profitability.

The following table shows for the periods indicated information relating to the TPEx.

| Period | No. of Listed Companies at Period End | Stock Trading Values | Index High | Index Low | Index at Period End |
|---|---|---|---|---|---|
| | | (in NT$ billions) | | | |
| 2007 | 547 | 8,537.4 | 233.25 | 137.92 | 154.47 |
| 2008 | 539 | 3,285.5 | 163.15 | 54.85 | 64.37 |
| 2009 | 546 | 5,239.0 | 150.05 | 60.49 | 150.05 |
| 2010 | 564 | 5,633.6 | 150.75 | 122.79 | 143.95 |
| 2011 | 607 | 3,993.0 | 146.21 | 86.21 | 93.89 |
| 2012 | 638 | 2,951.9 | 120.47 | 92.05 | 103.29 |
| 2013 | 658 | 4,030.9 | 129.57 | 102.77 | 129.57 |
| 2014 | 685 | 6,355.9 | 154.06 | 122.71 | 140.38 |
| 2015 | 712 | 5,689.2 | 147.73 | 99.95 | 129.05 |
| 2016 | 732 | 5,050.3 | 132.91 | 117.09 | 125.18 |
| 2017 | 744 | 7,683.5 | 151.28 | 124.01 | 148.52 |
| 2018 | 766 | 8,145.5 | 159.07 | 109.93 | 123.54 |
| 2019 | 775 | 7,607.5 | 149.36 | 122.33 | 149.36 |
| 2020 | 782 | 12,087.1 | 184.24 | 103.25 | 184.10 |
| 2021 | 788 | 20,276.0 | 237.55 | 179.54 | 237.55 |
| 2022 | 808 | 14,878.7 | 235.53 | 159.26 | 180.34 |
| 2023 | 816 | 16,847.4 | 234.83 | 182.53 | 234.01 |
| 2024 (through July 31, 2024) | 825 | 13,536.3 | 281.34 | 228.16 | 262.30 |

*Source: TPEx*

## PRICE LIMITS, COMMISSIONS, TRANSACTION TAX AND OTHER MATTERS

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, (i) transactions in one class of securities that involve 500 or more trading lots or trading amounts exceeding NT$15 million, and (ii) transactions involving five or more different classes of securities and trading amounts exceeding NT$15 million must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the ROC SFB or other competent authorities based on market conditions. The ROC SFB has announced that limitations on price fluctuations may be relaxed with a view to eventually abolish all share price fluctuation controls. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE and notified to the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

## REGULATION AND SUPERVISION

The ROC FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the ROC FSC for all securities offerings. The ROC FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the ROC FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The ROC FSC has responsibility for implementing ROC Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Law specifically empowers the ROC FSC to promulgate necessary rules. ROC Securities and Exchange Law prohibits market manipulation. For example, it permits a ROC public company to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and stockholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the company. ROC Securities and Exchange Law prohibits trading by "insiders" based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and stockholders (together with their spouses, minor children and nominees) who hold more than 10% of a ROC public company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material, non-public information due to an occupational or controlling relationship with a ROC public company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and

- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. The ROC Securities and Exchange Law also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of a company's contracts, reports and other documents related to securities transactions. The ROC FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, the ROC Securities and Exchange Act provides for civil liability for material misstatements or omissions made by issuer and regulation on tender offers. The ROC FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Law. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The ROC FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;

- temporary suspension of operation;

- imposition of administrative fines; and

- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the ROC FSC, delist the securities of these issuers.

## APPENDIX B—FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC

*The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchaser or any of our respective affiliates or advisors in connection with this Offering.*

### FOREIGN INVESTMENT

Foreign investments in ROC securities markets were once restricted. Since 1983, the ROC government has adopted, enacted and amended laws and regulations to enable investment in ROC securities markets by oversea Chinese, foreign nationals, and PRC nationals. Currently, the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals ("Securities Investment Regulations for Foreign Investors"), announced on May 26, 1983 and last amended on February 11, 2014, and the Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors ("Securities Investment Regulations for PRC Nationals"), announced on April 30, 2009 and last amended on October 6, 2010, are the two major regulations governing foreign investment in ROC securities. Foreign investors who are not PRC nationals shall follow the Securities Investment Regulations for Foreign Investors for their respective investment in ROC securities.

Under the Securities Investment Regulations for Foreign Investors, investors are classified into "Offshore General Foreign Investors," "Onshore General Foreign Investors," "Offshore Foreign Institutional Investors" and "Onshore Foreign Institutional Investors," based upon whether they are institutional investors or natural persons, and whether they reside in the ROC ("Offshore General Foreign Investors" and "Offshore Foreign Institutional Investors," hereafter "Offshore Investor"; Onshore General Foreign Investors" and "Onshore Foreign Institutional Investors," hereafter "Onshore Investor"). Foreign investors are required to register with the TWSE to trade securities listed on TWSE, and the TWSE may withdraw or rescind the registration if the application documents submitted by foreign investors are untrue or incomplete, or if any material violation of the relevant regulations exists. Offshore investors are required to appoint their local agent or nominee to act on their behalf in the ROC.

An Offshore Investor may only invest in ROC securities as permitted by the FSC such as shares, certificates of bond conversion entitlement, and Taiwan Depositary Receipts publicly or privately offered by TWSE-listed, TPEx-listed or emerging market-listed companies, beneficiary certificates issued by securities investment trusts, government bonds, bank debentures, corporate bonds, convertible bonds, bonds with warrant, beneficiary securities or asset-backed securities issued by the special purpose trust or special purpose vehicle and warrants. The FSC may set a cap for the total investment amount of offshore investors, after consulting with the CBC. Currently, there is no maximum investment ceiling for Offshore General Foreign Investors or Offshore Foreign Institutional Investors.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in ROC securities. The Securities Investment Regulations for PRC Nationals promulgated in 2009 (as amended in 2010) allow PRC nationals and institutional investors to make investment in ROC securities, if they are qualified for any of the following categories: (i) qualified institutional investors approved by the PRC government, also known as "QDIIs"; (ii) PRC residents who are employees of a TWSE-listed or TPEx listed company and thereupon granted securities; (iii) companies incorporated under the laws of PRC or PRC residents who are the stockholders of a foreign company whose shares or depositary receipts are listed and traded on the TWSE or TPEx; or (iv) other categories as permitted by the competent authority. Subject to the requirements and restrictions set forth below and other relevant ROC laws and regulations, a PRC investor may invest in TWSE-listed or TPEx-listed securities, beneficiary certificates issued by securities investment trusts, government bonds, bank debentures, corporate bonds issued by public companies, beneficiary securities or asset-backed securities issued by the special purpose trust or special purpose vehicle, warrants and other securities as permitted by the FSC.

- PRC investors are required to appoint their agent or nominee in Taiwan for opening a securities trading account.

- PRC investors are required to appoint a custodian permitted by the competent authority to handle the custody of funds and certificates related to securities.

- In exercising the voting rights of the shares of a TWSE-listed or TPEx-listed company, unless otherwise permitted by laws and regulations, PRC investors may not substantially control or effect the operation and management of the company.

- The amount of investment remittance for each QDII is capped at US$100 million, and the total amount remitted into Taiwan by all QDIIs shall not exceed US$500 million.

- The PRC investor may not exceed the PRC ownership limit imposed by the Taiwan competent authority.

**DEPOSITARY RECEIPTS**

In April 1992, the ROC Securities and Futures Commission (later reformed and known as the Securities and Futures Bureau of the FSC) enacted regulations permitting ROC companies with securities listed on the TWSE, with the prior approval of the FSC, to sponsor the issue and sale to foreign investors of depositary receipts. Depositary receipts represent deposited shares of ROC companies. In December 1994, the ROC Ministry of Finance allowed companies whose shares are traded on the TPEx or listed on the TWSE, upon approval of the FSC, to sponsor the issue and sale of depositary receipts.

After depositary receipts are issued initially by a foreign depositary, a holder of depositary receipts may request the foreign depositary to cause the underlying shares (i) to be sold in the ROC, with the proceeds from that sale distributed to the depositary receipt holder after deducting tax payments and relevant costs and expenses, or (ii) to be withdrawn from the depositary receipt facility and transferred to the depositary receipt holder.

Currently, a holder of depositary shares who is a PRC person may not withdraw and hold shares unless (i) it is a QDII, or (ii) if all the businesses of the issuer are in the positive list promulgated by the ROC Executive Yuan, the holder withdraws shares which accounts for 10% or more of the issuer's issued shares and it otherwise obtains the approval of the Department of Investment Review of the Ministry of Economic Affairs. However, QDIIs are currently prohibited from investing in certain industries, and their investment in a given company is restricted to a certain percentage promulgated by the competent authorities and amended from time to time. In addition, there are restrictions on the amount remitted to Taiwan for investments by each individual QDII and for QDIIs in the aggregate in certain industries. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of depositary shares who is a PRC person to be unable to withdraw and hold the underlying shares.

Under existing laws and regulations relating to foreign exchange control, a depositary may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT Dollars into other currencies, including US Dollars, in respect of the following: proceeds of the sale of shares represented by depositary receipts, proceeds of the sale of shares received as stock dividends which have been deposited into the depositary receipt facility and any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT Dollars for purchases of underlying shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. However, a depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT Dollars into other currencies relating to the sale of subscription rights for new shares. Proceeds from the sale of any underlying shares by holders of depositary receipts withdrawn from the depositary receipt facility may be converted into other currencies without obtaining CBC approval.

Proceeds from sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TWSE, the TPEx, or stock of emerging market companies, subject to limitations and restrictions set forth in "Foreign Investment" above or other relevant ROC laws and regulations (as applicable).

## OVERSEAS CORPORATE BONDS

Since 1989, the ROC Securities and Futures Commission has approved a series of overseas bonds issued by ROC companies listed on the TWSE in offerings outside the ROC. Under current ROC law and subject to the FSC approval, overseas corporate bonds can be (i) exchanged or converted by bondholders, other than persons of the PRC except for QDIIs or other PRC investors as approved by relevant ROC authorities, into shares of ROC companies; or (ii) converted into or exchanged for depositary receipts issued by the same ROC company or by the issuing company of the exchange shares, in the case of exchangeable bonds. The relevant regulations also permit ROC companies attaining public company status to issue corporate bonds in offerings outside the ROC. Proceeds from the sale of the shares converted from overseas convertible bonds may be used for reinvestment in securities listed on the TWSE or traded on the TPEx, subject to limitations and restrictions set for in "Foreign Investment" section above (as applicable).

According to the Securities Investment Regulations for Foreign Investors, a non-resident foreign converting bondholder, when exercising the conversion right to convert bonds into shares of a ROC company, will be required to register with the TWSE, and to appoint a local agent (with such qualifications provided by the FSC) to open a securities trading account with a local brokerage firm, pay ROC taxes, remit funds, exercise stockholders' rights and perform such other matters as may be designated by such converting bondholder on behalf of and as agent for such converting bondholder. The converting holder is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmation to settle trades, and to report all relevant information. Additionally, such converting holder is required to appoint a tax guarantor for filing tax returns and making tax payments.

According to the Securities Investment Regulations for PRC Nationals, a PRC holder of overseas convertible bonds issued by a ROC company may not convert or exchange such convertible into shares unless (i) it is a QDII, (ii) the businesses of the issuer are in the Positive List promulgated by the MOEA, (iii) the shares converted from overseas convertible bonds, in general, would not, jointly with the other PRC stockholders of the issuer, account for 10% or more of the issuer's shares.

Unless otherwise limited by the CBC, a ROC company may, without obtaining further approval from the CBC or any other government authority of the ROC, convert NT Dollars to other non-ROC currencies, including US Dollars, for making payments in respect of proceeds of the redemption of the bonds or repayment of principal of and interest on the bonds. A non-ROC converting bondholder may, through its local agent and without obtaining prior approval from the CBC, convert into foreign currencies net proceeds realized from the sale of certificates of bond conversion entitlement, shares or any stock dividends relating to such shares, or any cash dividend or other cash distribution in respect of such shares, as well as inward remittance of subscription payments in respect of rights offerings. However, a converting bondholder must obtain prior approval from the CBC on a payment-by-payment basis for conversion from NT Dollars into other currencies in respect of the proceeds from the sale of subscription rights for newly issued Shares.

## OTHER FOREIGN INVESTMENT

In addition to investments permitted under the Securities Investment Regulations for Foreign Investors, foreign investors (other than foreign investors who have registered with the TWSE for making investments in the ROC securities market) who wish to make direct investments in the shares of ROC companies are required to submit a Foreign Investment Approval application to the Department of Investment Review (formerly named, Investment Commission) of the ROC Ministry of Economic Affairs or other government authority. The Department of Investment Review or such other government authority reviews each Foreign Investment Approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC).

Under current law, any non-ROC person possessing a Foreign Investment Approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment, investment capital and capital gains attributable to such investment may be repatriated after approvals of the Department of Investment Review or other authorities have been obtained.

In addition to the general restriction against investment by non-ROC persons in ROC securities markets, non-ROC persons (except in certain limited cases) are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that non-ROC persons (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

## EXCHANGE CONTROLS

The ROC Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated to handle such business by the FSC and by the CBC. Current regulations favor trade-related foreign exchange transactions and Foreign Investment Approval investments.

Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, and all foreign currency needed for the importation of merchandise and services may be purchased freely from the designed foreign exchange banks.

Trade aside, ROC companies and resident individuals may, without foreign exchange approval, remit outside the ROC foreign currency of up to US$50,000,000 (or its equivalent) and US$5,000,000 (or its equivalent) respectively in each calendar year. In addition, ROC companies and resident individuals may, without foreign exchange approval, remit into the ROC foreign currency of up to US$50,000,000 (or its equivalent) and US$5,000,000 (or its equivalent) respectively in each calendar year. A requirement is also imposed on all enterprises to register medium-and long-term foreign debt with the CBC.

In addition, foreign persons may, subject to certain requirements, but without foreign exchange approval of the CBC, remit outside and into the ROC foreign currencies of up to US$100,000 (or its equivalent) for each remittance. The above limit applies to remittances involving a conversion of NT Dollars to a foreign currency and vice versa.

**ISSUER**

**Bora Pharmaceuticals Co., Ltd.**
6F, No. 2, Alley 36, Lane 26
Ruiguang Road, Neihu District
Taipei City 114, Taiwan

**TRUSTEE**

**The Bank of New York Mellon, London Branch**
160 Queen Victoria Street
London EC4V 4LA
United Kingdom

**REGISTRAR AND TRANSFER AGENT**

**The Bank of New York Mellon SA/NV, Dublin Branch**
Riverside Two
Sir John Rogerson's Quay
Grand Canal Dock, Dublin 2
Ireland

**PRINCIPAL AGENT**

**The Bank of New York Mellon, London Branch**
160 Queen Victoria Street
London EC4V 4LA
United Kingdom

**INDEPENDENT ACCOUNTANTS**

**Ernst & Young**
No. 189, Sec. 1
Yongfu Road, Tainan City
Taiwan

**LEGAL ADVISORS**

**ROC Legal Advisor to the Issuer**

**Baker & McKenzie**
15F
168 Dunhua North Road
Taipei 10548
Taiwan ROC

**U.S. Legal Advisor to the Initial Purchaser**

**Freshfields Bruckhaus Deringer**
55th Floor
One Island East, Taikoo Place
Quarry Bay, Hong Kong

**SINGAPORE LISTING AGENT**

**WongPartnership LLP**
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982