Stock Code：6472

Bora Pharmaceuticals Co., Ltd.
2020 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System：https://mops.twse.com.tw
Bora Pharmaceuticals Co., Ltd. 2020 Annual Report is available at：https://www.bora-corp.com
Printed on May 28, 2021

I. Name, title, telephone number and email of spokesperson and acting spokesperson:

Spokesperson		Acting Spokesperson	
Name:	Chen Shih-Min	Name:	Alice Wang
Title:	Vice President	Title:	Director, Finance & Accounting Division
Telephone:	(02)2790-1555	Telephone:	(02)2790-1555
Email:	public01@bora-corp.com	Email:	public02@bora-corp.com

II. Company address:

Head Office	Address: 6F, No. 2, Alley 36, Lane 26, Ruiguang Road, Neihu District, Taipei City 114 Telephone: (02)2790-1555
Research and Development Center	Address: No.1, Kedong 3rd Road, Zhunan Township, Miaoli County, 350 Telephone: (03)758-6268
Plant	Address: No.54, Gongye West Road, Gongtian District, Tainan City 720 Telephone: (06)698-5180 Address: No.1, Kedong 3rd Road, Zhunan Township, Miaoli County, 350 Telephone: (03)758-6268 Address:7333 MISSISSAUGA ROAD, MISSISSAUGA ON L5N 6L4 Canada Telephone: +1(416)800-2160

III. Name, address, website and telephone of agency handling shares transfer:

Name: Stock-Affairs Agency Department, Taishin International Bank Co., Ltd.

Address: B1, No. 96, Jianguo North Road, Section 1, Zhongshan District, Taipei City 104

Website: http://www.taishinbank.com.tw Telephone: (02)2504-8125

IV. The name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone: number of said person's accounting firm.

Name of certified public accountants: Certified public accounts Bo Wen-fang and Lin Li-feng

Name of the accounting firm: Ernst & Young, Taiwan

Address: 9F, No. 333, Section 1, Keelung Road, Taipei City

Website: http://www.ey.com/tw/ Telephone: (02)2757-8888

V. The name of any exchanges where the Company's securities are traded offshore, and the method of accessing the information: N/A None.

VI. Company website: http://www.bora-corp.com/

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A. Letter to Shareholders

Dear Shareholders,

2020 was a difficult year full of challenges, and the world suffered a massive hit due to COVID-19 pandemic. History will not forget Taiwan's performance in fighting the pandemic, and the world will not forget how the people of Taiwan showed their high capabilities in pandemic prevention. Bora Pharmaceuticals continued to live up to expectations despite the tough year, and successfully took over Canadian facility from a UK listed company, GlaxoSmithKline (hereinafter known as GSK) in December 2020. The acquisition deal also includes signing a 5-year supply agreement with GSK, which comprises world's best-selling OTC products such as Voltaren, Flonase, etc. In addition to the guaranteed orders and stable revenue from the 5-year supply agreement, Bora Canadian facility's professional product development and production technology transfer team, and trail production and mass production equipment, will greatly benefit Bora in seizing international CDMO orders.

Our local Zhunan facility, Bora Pharmaceuticals Laboratories, extended a 5-year new supply agreement with US Amneal&Impax in 2020, and at the same time obtained exclusive distribution rights of Numient (exported as Rytary), an extended-release capsule that treats the symptoms of Parkinson's Disease, in 11 markets including Asia, including China, Thailand, Japan, South Korea, etc. Also, the complete channel layout of drug sale and the series of products carried by Yuta Health is gradually showing results. The above business expansion also drives the growth momentum of the Company's overall operation.

The Company's outstanding performance in operation management has won itself a second place in CommonWealth Magazine's Fast 100 in 2020. In addition, our Chairman, who led the Company in attaining rapid growth and various achievements including the successful acquisition of GSK Canadian facility, won the CEO of the Year award in CPhI Pharma Awards by CPhI Worldwide, the world's largest pharmaceutical raw materials exhibition. The continued business growth and achievements once again highlight Bora's resilience and strength in times of challenges and competition. Bora will continue to strive and adopt this success model, adhere to the stringent product standard, provide high quality products and highly efficient services, and accelerate in becoming a comprehensive CDMO pharmaceutical facility, so as to introduce Bora's drugs to the world, and achieve sustainable growth in revenue and profitability.

I. 2020 Operating Results

(I) Business Plan Implementation Results

The Company's 2020 consolidated net revenue is NT$1,799,570 thousand, a growth of 17.68% compared to last year's NT$1,529,216 thousand; current net income after tax is NT$578,426 thousand, a growth of 89.63% compared to last year's NT$305,031,000, and after-tax profit margin is 32.14%.

(II) Budget Execution Status

The Company did not publish a financial forecast for 2019, and hence there is no budget implementation.

(III) Analysis of revenues and expenditures, and profitability

1. Analysis of revenues and expenditures

Unit: NTD thousands

	2020	2019	Increase (decrease)%
Net revenue	1,799,570	1,529,216	17.68%
Gross profit	703,884	643,034	9.46%
Operating profit	226,077	344,846	(34.44)%
Net income after tax	578,426	305,031	89.63%

2. Analysis of profitability

In December 2020, with the official takeover OF GSK Canadian facility, all production operations have been seamlessly integrated. Production and shipment were successfully completed in just within the first month, and officially contributed to revenue. Together with the growth in existing drug manufacturing, and sales of drugs and health products, revenue grew by 17.68% and gross margin increased by 9.46% compared to 2019. The integration of the Canadian facility went through a 9-month preparation, from the signing of contract in March to taking over the facility in December. Due to the difficulty of traveling during the COVID-19 pandemic, a one-time acquisition fee was incurred in engaging consultants to execute the handing over, and the fee for investing in the expansion of global contract development and manufacturing (CDMO) service increased, resulting in a decrease of 34.44% in operating profit. The acquisition of GSK Canada, land, factory, office building and equipment with NT$830 million contributed to Bargain Purchase Gains, and an increase of 89.63% in net income after tax.

(IV) Research and development status

The Company and its subsidiaries have diverse product lines, dedicated to the research and development of drugs. Based on market demand, we invest in small molecules new dosage forms, accurately select products for development, improve the convenience of drug use through dosage form modification, and continue to improve process quality, producing more competitive products.

Main project development's production technologies and new products are as follows:

(A) New dosage forms

(B) Special generic drug products development

(C) Innovative drug delivery platforms development

Promotion of important research projects:

The Company and its subsidiaries have set up a formulation research and development center. Besides having a strong research and development team, it continues to bring in advanced equipment. Short-term projects focus on "specialty generic drugs", and we will concurrently develop own-brand drugs and accept external contracts, accumulating research and development capabilities and building a comprehensive development chain from assessment to mass production. Mid-term projects focus on "new dosage forms" which have high technological threshold and duration but high market value. Long-term projects focus on special technologies and hardware, and the main development direction is the development of "innovative drug delivery platform" which targets unmet medical needs, and has long-term economic benefit and market differentiation.

II. 2020 Business Plan Summary

(I) Business Strategy

1. Profession production: Bora Tainan Facility (PIC/S GMP), Bora Pharmaceutical Laboratories' Zhunan Facility (PIC/S GMP/USFDA/MHRA) and Canada Mississauga Facility (Health Canada/USFDA/PMDA) continue to expand global contract development and manufacturing service.

2. Strengthen marketing: Bora is a well-known distribution agent of both licensed and self-own brand drugs. With an established sales network in Taiwan, it has successfully obtained authorization from international pharmaceutical companies including Japan's Eisai, SSP, Amenal and Vitruvias. It will strengthen the marketing strategies in existing channels and market integration to maximize sales efficiency.

3. Invest in research and development: Focus on central nervous system and pain medication domains, establish technology platforms, and accelerate the launch of new products, satisfying market demand.

(II) Expected sales volume and its basis

The Company’s sales plan is estimated based on contract, historical sales record and market changes, and the business goals are expected to maintain a stable growth in 2021.

(III) Important production and sales strategies

1、 Contract development and manufacturing (CDMO) business:

The main CDMO customers at present are GSK, US Amneal and Taiwan’s Eisai. Has high-end facilities with quality certifications from various countries including the United States, United Kingdom, Europe, Japan, etc., able to manufacture diverse types of dosage forms, including nasal spray, oral solid dosage form, liquid dosage form and semi-solid dosage form for external application. These advantages are expected to help Bora seize more international CDMO orders in the future

2、 Partnering (license-in and license-out services):

Bora Group is dedicated to establishing long-term partnerships with international in-licensing and out-licensing companies. Creating a win-win situation is also a successful model which Bora adopts. In recent years, Bora actively searches products that can be acquired and licensed domestically and internationally. Products with stable market size or potential are the company’s strategic targets. Besides the domestic market, the Company will continue to expand into the international market to increase revenue sources.

3、 Global services:

Bora owns the world’s most advanced laboratories, possesses advanced pharmaceutical knowledge, and familiar with the global pharmaceutical market. The research and development team not only has extensive pharmaceutical market experience, but also dedicates in the professional development and analysis of generic drugs and new dosage forms. Being familiar with the latest drug laws and regulations and the various countries’ regulations of the application process make us the most beneficial and competitive partner in helping our customers to develop and launch their pharmaceutical products to new markets.

III. The Company’s future development strategies

We have an international management team, professional pharmaceutical marketing and distribution experience and world-class pharmaceutical technologies. Since our establishment in 2007, we have been building our foundation in Taiwan. In a planned manner through continued acquisition and setting business development strategies in research and development, production, sales and marketing, we have achieved steady growth and become a multinational corporation.

Providing high quality, highly efficient and customized management service are the values Bora adheres to. We constantly expand our businesses to places around the world, and have now covered areas including China, Southeast Asia, Japan, the United States, Canada, Middle East, France and Europe. We will continue to expand our partnership and strive to be a leading pharmaceutical brand in all places. Contract development and manufacturing (CDMO) business is Bora's main growing sector Through precise and strategic acquisitions, we are gradually obtaining a complete dosage production line, as well as expanding the Group's scale and strengthening our capabilities in contract development and manufacturing. Today, Bora is the pharmaceutical that exports to the most countries in Taiwan.

Looking forward to 2021, our operating momentum will be based on contract development and manufacturing, licensing and strategic acquisition. Bora has three key manufacturing sites, Tainan site, Zhunan sites and Canada Mississauga site. In the future, Bora Zhunan sitewill target the US and European markets; Tainan facility will focus on the 15 existing export countries; while the Mississauga facility which exports to 100 markets around the world, will seek CDMO opportunities. Bora will continue to expand its CDMO service for dosage forms and its business territory. With the increasing trend of work specialization in the global pharmaceutical market, contract development and manufacturing business is expected to have significant growth. There is also a considerable room for development in drugs and health products sales.

IV. Effect of external competition, the legal environment, and the overall business environment

In recent years, the global drug laws and regulations have become more stringent. The government and health insurance system have imposed higher control and restriction on drug prices, posing great challenges to the operation and development of the pharmaceutical industry. On the other hand, the encouragement by governments around the world on the use of generic drugs, and the aging population, have led to a continued increase in the demand for specified therapeutic applications drugs, which creates new opportunities.

The concept of division of labor in the pharmaceutical industry has become a global trend, driving the vigorous growth of CDMO (contract development and manufacturing).

According to the statistics of research institution, Fortune Business Insights, CDMO market in North America alone had a value of US$48.7 billion in 2018. Research report by GII also shows that the global CDMO market has a value of about US$148.5 billion in 2019, and is expected to reach US$298 billion by 2027.

Bora Pharmaceuticals, which specializes in CDMO, rides on the wave of global pharmaceutical trend, and continues to expand its manufacturing and research and development capabilities through acquisition and management. In 2020, it officially took over GSK Canadian facility, an important milestone in opening the North American market. Bora will join the biotech cluster in North America by setting up its North American headquarters there. Based on international CDMO standards, it will provide professional and comprehensive pharmaceutical services to more world-class pharmaceutical companies.

Person in charge:	Managerial Personnel:	Chief accountant:
Sheng Pao-Shi	Sheng Pao-Shi	Alice Wang

B. Company Profile

I. Date of establishment: June 12, 2007

II. Company history

Date	Important Milestones
2007	● Company established
2009	● Restructured and renamed as Bora International Co., Ltd. with a capital of NT$2 million and Mr. Sheng Pao-Shi as chairman.
2010	● Lexapro, distributed by the Company, is Taiwan's bestselling Antidepressant drug. ● Co-developed a new lipid-lowering drug with Johnson Chemical Pharmaceutical Works Co., Ltd. As the drug is extremely unstable, special technologies were required. It was an innovation and breakthrough in the country's pharmaceutical technology and has obtained clinical trial approval from the Ministry of Health and Welfare.
2011	● At the end of 2011, launched self-developed IMMU BOOST. The research and development of this self-owned brand effervescent tablet took two years. The natural health product contains various vitamins, minerals and herbal extracts and has been experimentally confirmed by Taipei Medical University. ● Applied and obtained drug permit license for self-developed BREXA F.C. Tablets. The drug is used for treating Schizophrenia and other psychosis with obvious positive or negative symptoms, and manic episode of bipolar disorder. It is a prescription drug to prevent bipolar disorder recurrence and has passed bioequivalence (BE) product.
2012	● In March, IMMU BOOST launched the new "Apple" flavor. ● In July, Bora officially imported South Korea's No. 1 drink, "Vline Corn silk Tea", and launched it in FamilyMart. ● In October, IMMU BOOST's "BEAUTY BOOST", which has been researched for a long time, was launched. It is the market's first mixed berries essence effervescent tablet that contains berry extracts such as strawberry, Nordic cranberry, grape seed, elderberry, etc., and Vitamin C, offering female consumers a new choice of beauty and healthcare products. ● With the tense and stressful lifestyle of modern people, sleep disorder is becoming a new disease of civilization. To help the large number of chronic insomnia patients to have better sleep quality and thereby improve their quality of life, liaised with manufacturer Boehringer and obtained exclusive distribution of Lendormin, a type of sedative-hypnotic used for treating short-term insomnia.

Date	Important Milestones
2013	● In August, obtained exclusive distribution license of Japan's bestselling Jintan probiotics. ● In October, acquired Tainan Gongtian facility from Eisai Taiwan Inc. (Eisai Taiwan), a Taiwan subsidiary of Japanese pharmaceutical company, Eisai Co., Ltd. (Eisai). The facility is a professional pharmaceutical manufacturing facility with PIC/S GMP certification. With the acquisition, the Company is able undertake CDMO contracts of all products of Eisai for the next five years, and export products to 15 countries, thereby expanding the export market. ● After obtaining the distribution license of many brands and generic drugs and acquiring the professional PIC/S GMP certified pharmaceutical manufacturing facility, the Company made use of the profitable growth momentum to invest in the research and development of new drugs. It set up a research and development center in Neihu District of Taipei City and actively develops new dosage forms for better curative effect to benefit the society. ● Company renamed as Bora Pharmaceuticals Co., Ltd. ● Applied and obtained drug permit license for its self-developed Denset S.C. Tablets "Bora". The drug is a compounded medication for treating anxiety disorder and depression and has passed bioequivalence (BE). ● Applied and obtained self-developed "PITAVOL F.C. Tablets" drug permit license. The drug treats primary hypercholesterolemia and mixed dyslipidemia, is covered by national health insurance, and has passed bioequivalence testing (BE).
2014	● In May, the expansion of the research and development center officially went into operation. ● In July, in response to future business development, the Company acquired Union Chemical Co., Ltd., targeting its advantage of its dedication in generic drugs over the years, and its numerous drug permits, stable sales channel and good reputation in the industry. ● In August, application for Taipei's Small Business Innovation Research (SBIR) was approved, and SBIR subsidy was obtained. ● In August, approved for initial public offering. ● In September, launched new product, IMMU BOOST HOT drink. ● In October, registered on TPEx Emerging Stock Board. ● In November, awarded Excellent Manufacturer for Cooperative Counseling Visit in 2014 Good Distribution Practice (GDP) by the Ministry of Health and Welfare.
2015	● In May, passed the final review for SBIR subsidy. ● In May, awarded Top 10 Outstanding Enterprises in the 12th Golden Torch Award by Outstanding Enterprise Manager Association

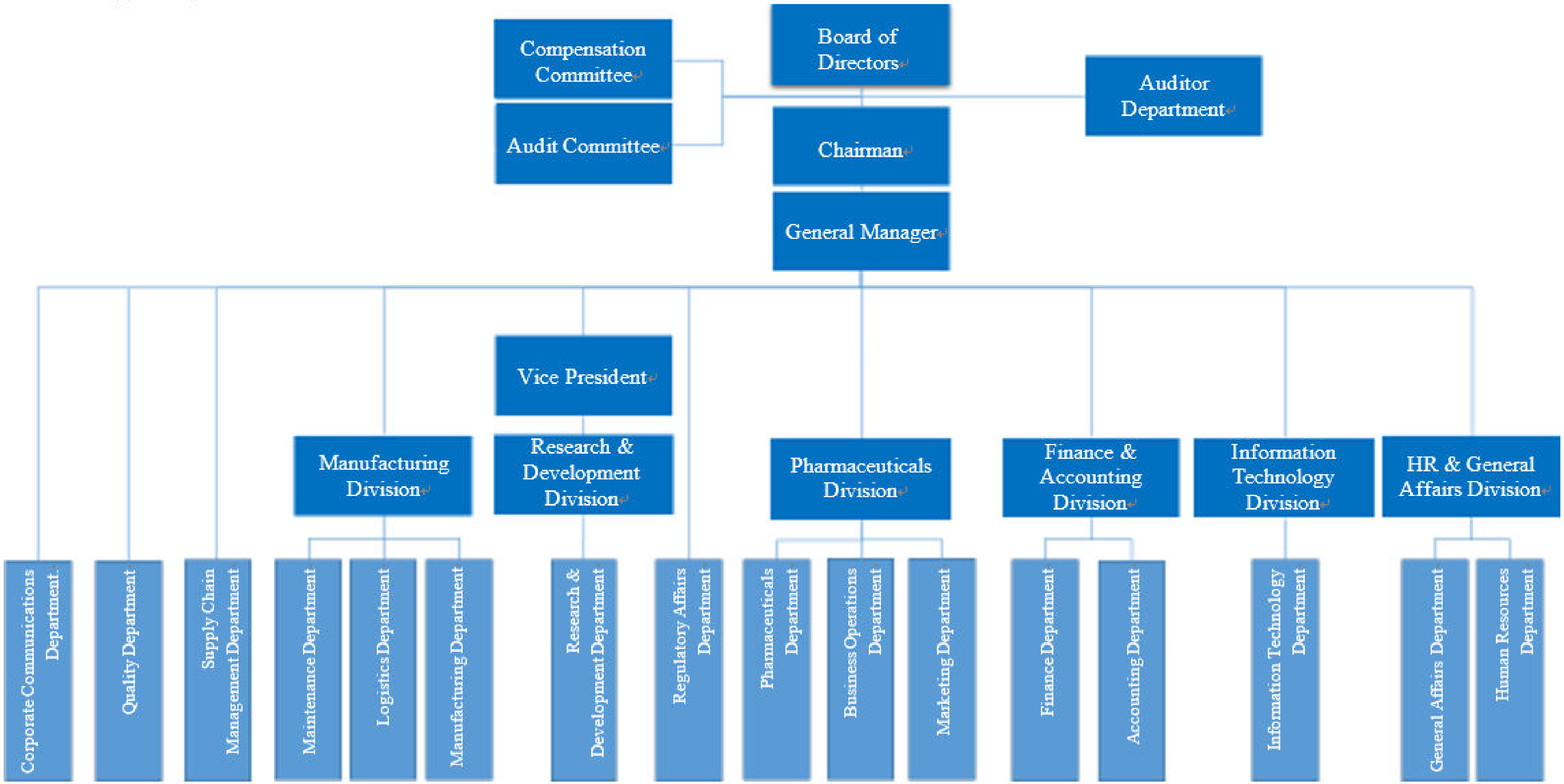
Date	Important Milestones
	(CDMOA).
2016	● In January, distributed Mobic by Boehringer, a drug that treats the pain in rheumatoid arthritis, osteoarthritis and ankylosing spondylitis. ● In April, distributed Eisai's Sahne Cream and Sahne Aloe Skin Gel.
2017	● In April, IPO on Taipei Exchange. ● In July, established Yuta Heath Co., Ltd. with Yuta Pharmaceutical, a distributor of health care and skin care products owned by SSP, Japan's third largest pharmaceutical manufacturer in the cosmeceuticals market, and Eisai, Japan fourth largest pharmaceutical manufacturer, in Taiwan. ● In September, obtained drug license BSAD-1303. ● In October, Tainan Gongtian facility obtained Pharmaceutical Good Manufacturing Certificate - liquid dosage form, from the Ministry of Health and Welfare: Drug solution production line was approved.
2018	● In February, acquired 100% shares of Bora Pharmaceutical Laboratories Inc., including the facility and equipment from US listed company, Impax (now Amneal), with US$18.5 million, and signed supply agreement. ● In February, obtained PIC/S GDP certification for manufacturing and retailing. ● In April, BSAT-1301 obtained Taiwan Invention Patent.
2019	● In April, obtained exclusive distribution in-licensing in Taiwan for pharmaceutical products of France brand, BOIRON. ● In August, set up US subsidiary, Bora Pharmaceuticals USA Inc. ● In November, signed purchase agreement of Neihu Ruiguang Building with Banxin Asset Management Co., Ltd.
2020	● In January, set up Canadian subsidiary, Bora Pharmaceuticals Services Inc. ● In March, signed a contract with the listed company, GlaxoSmithKline Inc. (hereinafter referred to as GSK), to acquire the relevant business assets of the GSK Canada facility in Mississauga and signed a five-year supply agreement. ● In July, obtained exclusive distribution in-licensing in Taiwan for SS Pharmaceutical Co., Ltd. (hereinafter referred to as SSP), Japan's top three pharmaceutical manufacturers in the cosmeceuticals market. ● In September, it was an oral sustained-release drug Potassium Chloride ER (KCL) for the treatment of hypokalemia by Vitruvias Therapeutics Inc. of the United States and obtained the "Const-K" drug license issued by the Ministry of Health and Welfare of Taiwan. ● In December, the Canadian subsidiary, Bora Pharmaceuticals Services Inc., acquired the GSK facility and officially operated, providing world-

Date	Important Milestones
	class professional and complete CDMO pharmaceutical services, and started contributing to the Group's revenue.
2021	● In January, Head Office moved to the newly acquired Neihu Ruiguang Building. ● In April, set up Bora Management Consulting Co., Ltd. to strengthen future investment synergy.

C. Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Business Functions of Major Departments

Department	Main responsibilities
Board of Directors	Highest level decision-makers, establishes the Company's operating goals and strategies.
General Manager	Lead the departments in achieving the Company's overall operating performance, and in organizing, planning and development, and formulating company policies.
Audit Department	Assess the soundness, reasonableness and effectiveness of the Company's internal management systems, and conduct internal audit.
Manufacturing Division	(1) Planning management and execution of production plans so as to produce products that comply with PIC/S quality standards. (2) Purchase, sales and inventory control and warehouse management. (3) Responsible for product development and modulation, scale-up and process improvement.
Research & Development Division	(1) Formulation technology research and development, process design and improvement. (2) Product technology support and technology transfer
Pharmaceuticals Division	(1) Establish operational and development strategies of pharmaceutical business group. (2) Expand and develop domestic and overseas pharmaceutical markets. (3) Plan and execute pharmaceutical related marketing and business plans.
Finance & Accounting Division	(1) Fund management, planning and execution, and handling of stock related matters. (2) Handling of accounting affairs and preparation of management reports for the management in decision-making and analysis. (3) Handling of tax exemption matters.
Information Technology Division	(1) Information application system and management, planning and audit of network and information security (2) Establishment of information system strategy and system planning (3) Optimize and integrate business information platform.
HR & General Affairs Division	(1) Human resource planning (2) Personnel system, welfare and education arrangement and execution. (3) Compensation Committee operation.
Quality Department	(1) Establish quality management system and operation. (2) Standardize the operation of the quality assurance system and improve the quality management process.
Supply Chain Management Department	(1) Establish, promote and implement supply chain management system. (2) Analyze production demand and optimize procurement plan based on customer requirements, product inventory level, etc.
Corporate Communications Department	Formulate, supervise and promote the Group's brand image and public relations strategies.

II. Information regarding Directors, Supervisors, General Manager, Vice Presidents, Division Directors, and Heads of Departments and Subsidiaries

(I) Directors and supervisor's information:

April 30, 2021, Unit: Shares; %

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of other persons		Major work experience (educational background)	Concurrent duties in the Company and in other companies	Any supervisor, director or supervisor who is a spouse or relative within the second degree of kinship			Remarks
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Sheng Pao-Shi	Male	2020.05.28	3 years	2014.08.26	2,065,592	4.96	2,685,269	4.96	–	–	11,892,714	21.98	Bachelor of Economics, University of California, Berkeley General Manager, Hoan Pharmaceuticals Ltd.	General Manager of the Company Chairman, Union Chemical & Pharmaceutical Co., Ltd. Director, Wellpool Co., Ltd. Director, Bao Lei Co., Ltd. Director, Rui Bao Xin Investment Co., Ltd. Independent director, Gamania Digital Entertainment Co., Ltd. Independent director, BIONET Corp. Chairman, Yuta Health Co., Ltd. Chairman, Bora Pharmaceutical Laboratories Inc. Chairman, Bao En International Co., Ltd. Chairman, Jia Xi International Co., Ltd. Chairman, Bora Management Consulting Co., Ltd. Director, Bora Pharmaceuticals USA Inc.	–	–	–	Note 1

																Director, Bora Pharmaceuticals Services Inc.			
Director	Republic of China	TA YA Venture Capital Co., Ltd.	—	2020.05.28	3 years	2014.08.26	2,021,096	4.86	2,397,424	4.43	—	—	—	—	—	Director of INADAY'S BIOTECH CO.,LTD. Director of Noisy Incorporation. Director of TA YA GREEN ENERGY TECHNOLOGY CO., LTD., Director of Hengs Technology Co., Ltd. Director of Caodamu Co., Ltd. Supervisor of VSENSE CO.,LTD. Director of NOWNEWS NETWORK CO., LTD. Supermedia&Crespark Co., Ltd. Director of SAVITECH CORP. Supervisor of UNITED ELECTRIC INDUSTRY CO., LTD. Director of TENART BIOTECH LIMITED Director of Farm-direct Co., Ltd. Director of BIGBEST SOLUTIONS, INC., Director of Istaging corp. Director of FULLHOPE BIOMEDICAL CO., LTD. Director of Nuazure Innovative Technology Co., Ltd.	—	—	—	—
	Republic of China	Representative: Shen Shang-Hung (Note 2)	Male	2020.05.28	3 years	2014.08.26	—	—	—	—	—	—	—	—	Department of Electrical Engineering, National Taiwan University MBA, US	Note 2	—	—	—	—

															EMORY University Manager, Electronic Engineering Department, US AT&T					
	Republic of China	Bao Lei Co., Ltd.	–	2020.05.28	3 years	2019.06.11	7,963,409	19.13	10,423,431	19.26	–	–	–	–	–	–	–	–	–	–
Director	Republic of China	Representative: Chen Kuan-Pai	Male	2020.05.28	3 years	2019.06.11	–	–	–	–	–	–	600,000	1.11	MBA, University of Southern California (USC) Chairman, Hundred River International Investment Corp.	Chairman, Hundred River International Investment Corp. Member of Compensation Committee, Audit Committee and Nominating Committee, Gamania Digital Entertainment Co., Ltd. Independent director, Remuneration Committee member and Audit Committee member, TECO Image Systems Co., Ltd.	–	–	–	–
Director	Republic of China	Chen Shih-Min	Male	2020.05.28	3 years	2014.08.26	556,711	1.34	652,624	1.21	–	–	–	–	Masters, Department of Chemistry, National Chung Hsing University Business Development Manager, Hoan Pharmaceuticals Ltd. Product Manager, H.Lundbeck A/S, Denmark Assistant R&D Project Manager, United Biomedical, Inc., Asia /Assistant Manager, R&D Planning Department, Technology Division Section Head, Synpac-Kingdom Pharmaceutical Co., Ltd. Researcher, Medical and	Vice President of the Company Representative of juristic person director, Bora Pharmaceutical Laboratories Inc.	–	–	–	–

															Pharmaceutical Industry Technology and Development Center					
Independent Director	Republic of China	Lin Jui-Yi	Male	2020.05.28	3 years	2015.04.09	—	—	—	—	—	—	—	—	MBA, George Washington University President, Shung Ye Trading Co., Ltd.	Chairman, STARTRII Co., Ltd. Independent director, Gamania Digital Entertainment Co., Ltd. Director, Shung Ye Investment Co., Ltd. Director, Shung Ye Trading Co., Ltd. Director, Lien Chen Automotive Co., Ltd.	—	—	—	—
Independent Director	Republic of China	Lai Ming-Jung	Male	2020.05.28	3 years	2017.06.20	—	—	—	—	—	—	—	—	EMBA, Advanced Finance Program, National Chengchi University Executive Director, Advisory Department, EY Taiwan Executive Director, Assurance Department, EY Taiwan	Independent director, China Life Insurance Co., Ltd.	—	—	—	—
Independent director	Republic of China	Lee Yi-Chin	Male	2020.05.28	3 years	2017.06.20	—	—	—	—	—	—	—	—	Masters and Ph.D, Resources Planning, Civil Engineering Department, Stanford University Senior consultant, McKinsey & Co. President, China Food Co., Ltd.	Partner/Managing Director, FCC Partners Inc. Independent director, Allied Industrial Corp.	—	—	—	—

Note 1: The Company's Chairman is also the General Manager. The main reason being the Company is in its early stage of development and is actively negotiating acquisitions and mergers matters, hence in order to facilitate business operations and prompt and effective communication with the board of directors, the Chairman serving as the General Manager will facilitate the Company in seizing opportunities and conducting projects. Therefore, there is reasonableness and necessity in doing so. Also, the Company has 7 directors on the board and 3 independent directors at present, and more than half are not employees or managerial personnel concurrently, which is in compliance with the regulations of corporate governance. In the future, the Company will also make appropriate adjustments based on the business operations and changes in the laws and regulations.

Note 2: Chairman and CEO of TA YA Electric Wire & Cable Co., Ltd., Chairman of CUPRIME MATERIAL CO., LTD., Chairman of UNITED ELECTRIC INDUSTRY CO., LTD.,Chairman of TA YA VENTURE CAPITAL CO., LTD., Chairman of TA YA Innovation Investment Co., Ltd., Director of TA YA (CHINA) HOLDING LTDDirector of TA YA VENTURE HOLDINGS LTD .,Director of TA YA ELECTRIC WIRE & CABLE (H.K.) CO., LTD., Chairman of HENG YA ELECTRIC LTD., Director of HENG YA ELECTRIC (KUNSHAN) LTD.,Director of TA YA ZHANGZHOU WIRES CABLE CO.,LTD., Director of HENG YA

ELECTRIC (DONGGUAN) LTD., Director of TA YA (VIETNAM) INVESTMENT HOLDING LTD.,Director of TA YA (Vietnam) ELECTRIC WIRE & CABLE JOINT STOCK COMPANY, Chairman of JIA SHAN INVESTMENT HOLDING CO., LTD. , Supervisor of TA HO ENGINEERING, CO., LTD., Chairman of JIA HSI INVESTMENT HOLDING CO.,LTD., Chairman of CUGREEN METAL TECH CO., LTD., Director of PLASTIC TECHNOLOGY INVESTMENT HOLDING LTD.,Director of TA YI PLASTIC(H.K.) LTD., Chairman of CUPRIME ELECTRIC WIRE & CABLE (H.K.) CO., LTD., Director of JUNG SHING WIRE CO., LTD., Chairman of TA YA GREEN ENERGY TECHNOLOGY CO., LTD., Chairman of BOSI SOLAR ENERGY CO., LTD., Chairman of TOUCH SOLAR POWER CO.,LTD., Director of Theia Medical Technology Co., Ltd., Director of IRIDIUM MEDICAL TECHNOLOGY CO., LTD., Independent Director of MERCURIES DATA SYSTEMS LTD.,Independent Director of ASIA POLYMER CORPORATION,Chairman of AMIT SYSTEM SERVICE LTD., Chairman of HONG YE INVESTMENT HOLDING CO., LTD., Chairman of BRAVO SOLAR POWER CO.,LTD., Chairman of UNION STORAGE ENERGY SYSTEM LTD. Independent Director of PARTNER TECH CORP., Chairman of SIN JHONG SOLAR POWER CO., LTD., Director of BIGBEST SOLUTIONS, INC.,Director of CUPRIME MATERIAL PTE. LTD, Director of CUPRIME VENTURE HOLDING CO., LTD, Director of CUPRIME 24 INVESTMENT HOLDING COMPANY LIMITED, Director of TA YA VIETNAM(Cayman) HOLDINGS LTD.

Major shareholders of corporate shareholders

April 30, 2021

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding ratio
TA YA Venture Capital Co., Ltd.	TA YA Electric Wire & Cable Co., Ltd.	96.87%
	Cuprime Material Co. Ltd.	3.12%

April 30, 2021

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding ratio
Bao Lei Co., Ltd.	Sheng Pao-Shi	95.00%

Major shareholders of major corporate shareholders

April 30, 2021

Corporate shareholder name	Major shareholders of corporate shareholders	
	Shareholder	Shareholding Percentage
TA YA Electric Wire & Cable Co., Ltd.	Shen San-Yi	2.42%
	Jia Hsi Investment Holding Co., Ltd.	2.10%
	Shen Shang-Hui	1.82%
	Wang Wen-Hua	1.66%
	Shen Shang-Pang	1.53%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.29%
	CUPRIME MATERIAL CO., LTD.	1.25%
	Hong Yao-Kun	1.20%
	JIA SHAN INVESTMENT HOLDING CO.,LTD.	1.02%
	JP Morgan Chase Bank in custody for JP Morgan Securities Investment Account	0.92%

Corporate shareholder name	Major shareholders of corporate shareholders	
	Shareholder	Shareholding Percentage
Cuprime Material Co. Ltd.	TA YA Electric Wire & Cable Co., Ltd.	54.01%
	Shen Jia-Rong	3.12%
	Shen Shang-Hui	3.02%
	Wang Wen-Hua	3.01%
	Shen San-Yi	2.99%
	Shen Shang-Pang	2.15%
	Shen Shang-Hung	1.54%
	Value Logic Co., Ltd.	1.34%
	Shen Su-Xiang	1.21%
	Shen Gui-Xiang	1.21%

Professional qualification and independence of the directors and supervisors:

Criteria / Name	Has at least 5 years of working experience and meets one of the following professional qualifications			Compliance of independence												Number of companies the person concurrently serves as an independent director
	An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private College or University.	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Sheng Pao-Shi	–	–	✓	–	–	–	✓	–	✓	–	–	✓	✓	✓	✓	1
TA YA Venture Capital Co., Ltd. Representative: Shen Shang-Hung	–	–	✓	✓	✓	✓	✓	–	✓	✓	✓	✓	✓	✓	–	3
Bao Lei Co., Ltd. Representative: Chen Kuan-Pai	–	–	✓	✓	✓	✓	✓	–	✓	✓	✓	✓	✓	✓	–	–
Chen Shih-Min	–	–	✓	–	–	–	✓	✓	✓	✓	–	✓	✓	✓	✓	–
Lin Jui-Yi	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lai Ming-Jung	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lee Yi-Chin	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: For any director or supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please check "✓" in the box for the corresponding conditions.

(1) Not employed by the Company or any of its affiliates.

(2) Not serving as a director or supervisor of any of the Company's affiliated companies (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(6) Not a director, supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(7) Not a director, supervisor, or employee of a company or institution with the same chairman, president, or equivalent position, or a spouse thereof (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been

appointed in accordance with local laws or laws of the registered country).

(9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or a relative within two degrees of kinship with any other director

(11) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(12) Not an elected person in the name of a government, institution, or its representative as defined in Article 27 of the Company Act.

(II) Information of the General Manager, Vice Presidents, Division Directors, and Supervisors from each department and branch organizations

April 30, 2021, Unit: Shares; %

Title	Nationality	Name	Gender	Date elected (appointed)	Shares held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Positions currently held in other companies	Managerial personnel who is a spouse or relative within the second degree of kinship.			Remarks
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
General Manager	Republic of China	Sheng Pao-Shi	Male	2009.10.21	2,685,269	4.96	—	—	11,892,714	21.98	Bachelor of Economics, University of California, Berkeley General Manager, Hoan Pharmaceuticals Ltd.	General Manager of the Company Chairman, Union Chemical & Pharmaceutical Co., Ltd. Director, Wellpool Co., Ltd. Director, Bao Lei Co., Ltd. Director, Rui Bao Xin Investment Co., Ltd. Independent director, Gamania Digital Entertainment Co., Ltd. Independent director, BIONET Corp. Chairman, Yuta Health Co., Ltd. Chairman, Bora Pharmaceutical Laboratories Inc. Chairman, Bao En International Co., Ltd. Chairman, Jia Xi International Co., Ltd. Chairman, Bora Management Consulting Co., Ltd. Director, Bora Pharmaceuticals USA Inc. Director, Bora Pharmaceuticals Services Inc.	—	—	—	Note 1
Vice President	Republic of China	Chen Shih-Min	Male	2013.04.01	652,624	1.21	—	—	—	—	Masters, Department of Chemistry, National Chung Hsing University Business Development Manager, Hoan Pharmaceuticals Ltd.	Director of the Company Representative of juristic person director, Bora Pharmaceutical Laboratories Inc.	—	—	—	—

Title	Nationality	Name	Gender	Date elected (appointed)	Shares held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Positions currently held in other companies	Managerial personnel who is a spouse or relative within the second degree of kinship.			Remarks
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
											Product Manager, H.Lundbeck A/S, Denmark Assistant R&D Project Manager, United Biomedical, Inc., Asia /Assistant Manager, R&D Planning Department, Technology Division Section Head, Synpac-Kingdom Pharmaceutical Co., Ltd. Researcher, Medical and Pharmaceutical Industry Technology and Development Center					
Managerial Personnel	Republic of China	Tom Cheng	Male	2019.08.05	61,777	0.11	－	－	－	－	Department of Industrial and Systems Engineering, Chung Yuan Christian University General Manager, Bora Pharmaceutical Laboratories Inc. Plant Manager, Pfizer's Pharmaceutical Co., Ltd.	Representative of juristic person director, Bora Pharmaceutical Laboratories Inc.	－	－	－	－

Title	Nationality	Name	Gender	Date elected (appointed)	Shares held: Number of Shares	Shares held: Shareholding ratio	Shares held by spouse and minor children: Number of Shares	Shares held by spouse and minor children: Shareholding ratio	Shares held in the name of other persons: Number of Shares	Shares held in the name of other persons: Shareholding ratio	Work experience and educational background	Positions currently held in other companies	Managerial personnel who is a spouse or relative within the second degree of kinship: Title	Managerial personnel who is a spouse or relative within the second degree of kinship: Name	Managerial personnel who is a spouse or relative within the second degree of kinship: Relationship	Remarks
Director, Finance & Accounting Division	Republic of China	Alice Wang	Female	2013.05.01	120,972	0.22	—	—	—	—	AALTO University EMBA Department of Accounting, Feng Chia University Finance Director, Thecus Technology Corp. Assistant Finance Manager, ABIT Computer Corporation. Accounting Officer, ALi Corporation Senior Auditor, Deloitte Taiwan Internal auditor	Representative of juristic person supervisor, Bora Pharmaceutical Laboratories Inc.	—	—	—	—
Director, Information Technology Division	Republic of China	Raymond Lee	Male	2018.06.25	25,725	0.05	—	—	—	—	MBA, University of Southampton IT Director, Synmosa Project Manager, Collective Elite IT Manager, Amkor System Analyst, ASE Production planner, TDK Taiwan Electronics	—	—	—	—	—
Director, HR & General Affairs	Republic of China	Lynn Chuang	Female	2019.02.18	22,100	0.04	—	—	—	—	Wright State University, US, Dual Masters in Computer Education/Counseling	—	—	—	—	—

Title	Nationality	Name	Gender	Date elected (appointed)	Shares held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Positions currently held in other companies	Managerial personnel who is a spouse or relative within the second degree of kinship.			Remarks
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Division											Psychology Chief Human Resource Officer, Taiwan Fire & Marine Insurance Director of Human Resources, Synmosa Biopharma Corporation Manulife Taiwan, Vice President of Human Resources Assistant Vice President of Human Resources, US AIG Manager of Training Development and Employee Relations Department, Human Resource Division, Taiwan High Speed Rail Human Resources Manager, Bayer Taiwan					
Director, Pharmaceuticals Division	Republic of China	Mickey Chen	Male	2019.08.05	—	—	—	—	—	—	Bachelor Degree from School of Public Health, Taipei Medical University Business Manager, TTY Biopharm Business Director, Microbio Co., Ltd. Business Manager, Eli Lilly Taiwan Sales Representative, AstraZeneca Taiwan	—	—	—	—	—

Title	Nationality	Name	Gender	Date elected (appointed)	Shares held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Positions currently held in other companies	Managerial personnel who is a spouse or relative within the second degree of kinship.			Remarks
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
											Sales Representative, Shionogi Company					
Manufacturing Division Director	Republic of China	Eric Chang	Male	2019.08.05	10,400	0.02	—	—	—	—	Masters, Environmental Engineering Research Institute, College of Engineering, National Yangming Jiaotong University Manufacturing Director, Bora Pharmaceutical Laboratories Inc. Quality Compliance Manager, Bristol-Myers Squibb (Taiwan) Ltd.	—	—	—	—	—

Note 1: The Company's Chairman is also the General Manager. The main reason being the Company is in its early stage of development and is actively negotiating acquisitions and mergers matters, hence in order to facilitate business operations and prompt and effective communication with the board of directors, the Chairman serving as the General Manager will facilitate the Company in seizing opportunities and conducting projects. Therefore, there is reasonableness and necessity in doing so. Also, the Company has 7 directors on the board and 3 independent directors at present, and more than half are not employees or managerial personnel concurrently, which is in compliance with the regulations of corporate governance. In the future, the Company will also make appropriate adjustments based on the business operations and changes in the laws and regulations.

III. Remuneration paid during the most recent fiscal year to directors, supervisors, the General Manager, and Vice President

(I) Remuneration paid to directors,independent directors, supervisors, the General Manager, and Vice President

1. Remuneration paid to directors and independent directors

2020; Unit: NTD thousands; %

Title	Name	Directors' remuneration								Total remuneration (A+B+C+D) as a percentage of net income after tax		Remuneration received as the Company's employee								Total remuneration (A+B+C+D+E+F+G) as a percentage of net income after tax		Remuneration received from investees other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C)		Business execution expenses (D)				Salary, bonus and allowance, etc. (E)		Severance pay and pension (F)		Employees' remuneration (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Sheng Pao-Shi	—	—	—	—	7,236	7,236	230	230	1.29	1.29	24,601	24,601	108	108	2,954	—	2,954	—	6.07	6.07	None
Director	Bao Lei Co., Ltd.																					
Representative of corporate director	Chen Kuan-Pai																					
Director	TA YA Venture Capital Co., Ltd.																					
Representative of corporate director	Shen Shang-Hung																					
Director	Chen Shih-Min																					

Independent director	Lin Jui-Yi Lee Yi-Chin Lai Ming-Jung	855	855	–	–	1,440	1,440	180	180	0.43	0.43	–	–	–	–	–	–	–	–	0.43	0.43	None

1. Independent directors' remuneration policies, system, standard and structure, and the relation to the individual's responsibilities, risk, time spent by the individual, etc.: The Company's independent directors' remuneration policies, system, standard and structure are set based on the industry standard and the individual's responsibilities, risk, and time spent, and yearly reviews are conducted based on the Company's operations and industry standard. The review results are then submitted to the competent authority for assessment, and for any adjustments required, the results will be submitted to the board of directors for resolution, so as to safeguard the interest of the shareholders.
2. Remuneration provided to a director for providing services (such as serving as a non-employed consultant) to any company in the financial report in the most recent fiscal year: None.

Range of remuneration chart

Remuneration range for each director in this Company	Name of Director			
	Total amount of the 4 preceding remunerations (A+B+C+D)		Total amount of the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Less than NT$1,000,000	Lin Jui-Yi, Li Yi-qin, Lai Ming-Jung	Lin Jui-Yi, Lee Yi-Chin, Lai Ming-Jung	Lin Jui-Yi, Lee Yi-Chin, Lai Ming-Jung	Lin Jui-Yi, Lee Yi-Chin, Lai Ming-Jung
NT$1,000,000 (include) to NT$2,000,000 (exclude)	Bao Lei Co., Ltd., Bao Lei Co., Ltd. representative Chen Kuan-Pai, TA YA Venture Capital Co., Ltd., TA YA Venture Capital Co., Ltd representatives Ryan Shen, Chen Shi-min	Bao Lei Co., Ltd., Bao Lei Co., Ltd. representative Chen Kuan-Pai, TA YA Venture Capital Co., Ltd., TA YA Venture Capital Co., Ltd representatives Shen Shang-Hung, Chen Shi-min	Bao Lei Co., Ltd., Bao Lei Co., Ltd. representative Chen Kuan-Pai, TA YA Venture Capital Co., Ltd., TA YA Venture Capital Co., Ltd representative Shen Shang-Hung	Bao Lei Co., Ltd., Bao Lei Co., Ltd. representative Chen Kuan-Pai, TA YA Venture Capital Co., Ltd., TA YA Venture Capital Co., Ltd representative Shen Shang-Hung
NT$2,000,000 (include) to NT$3,500,000 (exclude)	—	—	—	—
NT$3,500,000 (include) to NT$5,000,000 (exclude)	Sheng Pao-Shi	Sheng Pao-Shi	Chen Shih-Min	Chen Shih-Min
NT$5,000,000 (include) to NT$10,000,000 (exclude)	—	—	—	—
NT$10,000,000 (include) to NT$15,000,000 (exclude)	—	—	—	—
NT$15,000,000 (include) to NT$30,000,000 (exclude)	—	—	Sheng Pao-Shi	Sheng Pao-Shi
NT$30,000,000 (include) to NT$50,000,000 (exclude)	—	—	—	—
NT$50,000,000 (include) to NT$100,000,000 (exclude)	—	—	—	—
Higher than NT$100,000,000	—	—	—	—
Total	9 persons	9 persons	9 persons	9 persons

2. Supervisors' Remuneration: Not applicable as the Company has established an Audit Committee which is formed by all independent directors.

3. General Manager and Vice President Remunerations

2020; Unit: NTD thousands; %

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances, etc. (C)		Employee remuneration (D)				Total remuneration (A+B+C+D) as a percentage of net income after tax		Remuneration received from investees other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash Amount	Stocks Amount	Cash Amount	Stocks Amount			
General Manager	Sheng Pao-Shi	7,158	7,158	108	108	17,442	17,442	2,954	–	2,954	–	4.78	4.78	None
Vice President	Chen Shih-Min													

Range of remuneration chart

Remuneration range for General Manager and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies in the financial report
Less than NT$1,000,000	–	–
NT$1,000,000 (include) to NT$2,000,000 (exclude)	–	–
NT$2,000,000 (include) to NT$3,500,000 (exclude)	–	–
NT$3,500,000 (include) to NT$5,000,000 (exclude)	Chen Shih-Min	Chen Shih-Min
NT$5,000,000 (include) to NT$10,000,000 (exclude)	–	–
NT$10,000,000 (include) to NT$15,000,000 (exclude)	–	–
NT$15,000,000 (include) to NT$30,000,000 (exclude)	Sheng Pao-Shi	Sheng Pao-Shi
NT$30,000,000 (include) to NT$50,000,000 (exclude)	–	–
NT$50,000,000 (include) to NT$100,000,000 (exclude)	–	–
Higher than NT$100,000,000	–	–
Total	2 persons	2 persons

(II) Names of managerial personnel provided with employee's compensation and state of distribution:

2020; Unit: NTD thousands; %

Title	Name	Stock amount	Cash amount	Total	Total as a percentage of net income after tax
General Manager	Sheng Pao-Shi	–	4,867	4,867	0.84%
Vice President	Chen Shih-Min				
Managerial Personnel	Tom Cheng				
Director	Alice Wang				
Director	Raymond Lee				
Director	Lynn Chuang				
Director	Mickey Chen				
Director	Eric Chang				

(III) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Analysis of total remuneration paid to directors, supervisors, general managers, and vice presidents over the past two years by the Company and all companies listed in the consolidated report as a percentage of net profit after tax of parent or individual financial report

Unit: NTD thousands; %

Item \ Year	2019		2020	
	The Company	Consolidated Report	The Company	Consolidated Report
Total directors' remuneration	5,896	5,896	9,941	9,941
Directors' remuneration as a percentage of net income after tax	1.93%	1.93%	1.72%	1.72%
Total supervisors' remuneration	–	–	–	–
Supervisors' remuneration as a percentage of net income after tax	–	–	–	–

Total General Manager and Vice Presidents remuneration	10,024	10,024	27,662	27,662
General Manager and Vice Presidents remuneration as a percentage of net income after tax	3.29%	3.29%	4.78%	4.78%

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

(1)Director:

The Company's directors remuneration is paid in accordance with the Company's Articles of Incorporation and Regulations for Remuneration Distribution, and taking into consideration the individual's participation in the operation of the Company, the value of contribution, and normal industry standard. The Compensation Committee will assess the relation and reasonableness to operational performance, individual performance and future risk exposure. Upon discussion and approval by the Compensation Committee, it will be submitted to the board of directors for approval and then to the shareholders' meeting.

(2)General Manager and Vice Presidents:

The General Manager and Vice President remunerations comprise salary and bonus, and employee bonus and employee share subscription warrants. The salary standard is set based on the position held in the Company, responsibilities assumed and contribution to the Company, as well as industry standard. The standard for distribution of employee bonus is in accordance with the Company's Articles of Incorporation. It will be distributed upon submission to the board of directors for approval and then to the shareholders' meeting for approval. The board of directors is authorized to decide on the issuance of employee stock warrants.

The procedures for setting remuneration, besides considering the Company's overall operating performance, it also provides reasonable remuneration by taking into account the individual's performance achievement rate and contribution to the Company's performance. Also, the Company has on August 7, 2014, set up a Compensation Committee, and according to the regulations, the Compensation Committee will propose recommendations and submit to the board of directors for discussion. In addition, the Company and its subsidiaries will minimize the possibility of future operational risks, and review the remuneration system in a timely manner, based on the actual operating conditions and relevant laws and regulations, so as to balance the Company's sustainability and risk control. In summary, the policies and procedures for policy setting by the Company and its subsidiaries for remuneration to directors, supervisors, general manager and vice presidents, are directly related to the operating performance.

IV. The State of Implementation of Corporate Governance

(I) The state of operations of the board of directors

From 2020 to the publication date of the annual report in 2021, the board of directors has held 13 board meetings [A], and the directors' attendance rates are as follows:

Title	Name	Attendance in person [B]	Attendance by proxy	Attendance in person rate (%) [B/A]	Remarks
Chairman	Sheng Pao-Shi	13	—	100%	None
Director	Bao Lei Co., Ltd. Representative: Chen Kuan-Pai	13	—	100%	None
Director	TA YA Venture Capital Co., Ltd. Representative: Shen Shang-Hung	5	8	38.5%	None
Director	Chen Shih-Min	12	1	92.3%	None
Independent director	Lin Jui-Yi	13	—	100%	None
Independent director	Lee Yi-Chin	13	—	100%	None
Independent director	Lai Ming-Jung	13	—	100%	None

Other matters that should be recorded:

I. The date of the board meeting, the term, contents of the proposals, opinions of all independent directors, and the Company's handling of opinions of independent directors shall be recorded under the following circumstances in the operations of the board of directors meeting:

(I) Items specified in Article 14-3 of the Securities and Exchange Act: Article 14-3 of the Securities and Exchange Act is not applicable as the Company has set up an Audit Committee, and the relevant information can be found in the State of operations of the Audit Committee in the Annual Report.

(II) Other board resolutions apart from the aforementioned matters with respect to objections or qualified opinions expressed by independent directors on record or in writing: None.

II. For recusal of directors due to conflict of interests, the name of the directors, the content of the proposals, reasons for recusal, and participation in voting shall be stated:

Agenda	Name of Director	Reasons for recusal	Participate in voting
2020 First employee stock warrants distribution’s managerial personnel details.	Directors to recuse themselves on matters relating to them: Sheng Pao-Shi, Chen Shih-Min	Director is managerial personnel	No
2020 performance bonus and acquisition bonus.	Directors to recuse themselves on matters relating to them: Sheng Pao-Shi, Chen Shih-Min	Director is managerial personnel	No

III. Evaluation of the performance for the board of directors: The Company, in accordance with "Regulations Governing Board Performance Evaluation", shall beginning 2020, conduct evaluation of the board of directors on a yearly basis, and submitted the evaluation results to the board of directors on March 30, 2021. The evaluation and results are as follows:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Contents
Once ever year	2020/01/01 to 2020/12/31	Board of directors, individual director, audit committee and compensation committee	Internal evaluation of the board and self-evaluation by individual board members	(I) Criteria for evaluating the performance of the board of directors include the following: 1. Participation in the operation of the Company. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. Election and continuing education of the directors. 5. Internal control. (II) The criteria for evaluating the performance of the board members cover the following aspects: 1. Alignment of the goals and missions of the Company. 2. Awareness of the duties of a director. 3. Participation in the operation of the Company. 4. Management of internal relationship and communication. 5. The director's professionalism and continuing education. 6. Internal control. (III) Criteria for evaluating the performance of the Audit Committee include the following: 1. Participation in the operation of the Company. 2. Awareness of the duties of the functional committee. 3. Improvement of quality of decisions made by the functional committee. 4. Functional committee composition and election of members. 5. Internal control. (IV) Criteria for evaluating the performance of the Compensation Committee include the following: 1. Participation in the operation of the Company. 2. Awareness of the duties of the functional committee. 3. Improvement of quality of decisions made by the functional

				committee. 4. Functional committee composition and election of members. 5. Internal control.

IV. Goals for enhancing the functions of the board of directors for the current and most recent fiscal period as well as assessments of the actions implemented: The Company has 7 directors, including 3 independent directors. The election and re-election of directors take into consideration the diversity and expertise of the board members, and regular evaluations are conducted in accordance with the Regulations Governing Board Performance Evaluation to improve the operation efficiency of the board. For details, please refer to "The State of Implementation of Corporate Governance" of the Annual Report. To improve corporate governance, the Company has also set up an Audit Committee and Compensation Committee. In accordance with the Securities and Exchange Act, the Company set up an Audit Committee in 2017, which is composed of the entire number of independent directors, to assist 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. In accordance with Article 6 of the Company's Audit Committee Charter, the main powers of the Audit Committee are:

(I) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.

(II) Evaluate the effectiveness of the internal control system.

(III) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.

(IV) Matters in which a director is an interested party.

(V) Asset transactions or derivatives trading of a material nature.

(VI) Loans of funds, endorsements, or provision of guarantees of a material nature.

(VII) The offering, issuance, or private placement of equity-type securities.

(VIII) The hiring or dismissal of a certified public accountant, or their compensation.

(IX) The appointment or discharge of a financial, accounting, or internal audit officer.

(X) Annual Financial Report signed and sealed by the Chairman, managerial personnel and chief accountant, and Q2 Financial Report to be audited by the certified public accountant.

(XI) Proposals on Business Operation Report and Earnings Distribution or Deficit Compensation.

(XII) Other material matters as may be required by the Company or by the competent authority.

In addition to the above, the Audit Committee will conduct evaluation of the independence and performance of the certified public accounts once every year, as well as communicate the Company's important issues with the accountant and chief auditor at least once per quarter, and disclose the mode of communication, issues and results in the Company's website. For details of the establishment and operation of the Compensation Committee, please refer to "(IV) If the Company has a compensation committee in place, the composition, responsibilities and operation of the compensation committee shall be disclosed" under "The State of Implementation of Corporate Governance" of the of the Annual Report.

(II) The state of operations of the audit committee or the state of participation in board meetings by the supervisors

The state of operations of the Audit Committee: From 2020 to the publication date of the annual report in 2021, the Audit Committee has held 9 meetings (A), and the attendance of the committee members are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) (B/A)	Remarks

Independent director	Lai Ming-Jung	9	—	100%	Audit Committee convener
Independent director	Lin Jui-Yi	9	—	100%	
Independent director	Lee Yi-Chin	9	—	100%	

Other matters that should be recorded:

I. (I) Items specified in Article 14-5 of the Securities and Exchange Act:

Date of convening	Compliance with items specified in Article 14-5 of the Securities and Exchange Act	Resolution	Audit Committee's opinion or objections/reservations	Company's handling status
2020.01.08 2020 (1st) 7th Audit Committee Meeting	Agenda Item 2: Propose to provide a loan guarantee of NT$30 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
2020.03.09 2020 (1st) 8th Audit Committee Meeting	Agenda Item 1: The Company's "2019 Statement on Internal Control".	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 2: Review the Company's independent assessment of certified public accountants	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 3: 2019 Business Operation Report and Financial Statements.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 5: Proposal to distribute new shares for capital increase by earnings.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 6: Amendments to the Procedures for Extending Loans to Others:	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 7: Amendment to the Procedures for Lending Funds to Other Parties.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 8: Propose to provide endorsements and guarantees to the Company's 100%	Unanimously approved by all attending Audit	None	N/A

	owned Canadian subsidiary.	Committee members		
	Agenda Item 9: Proposal for acquisition of the Canadian facility of GlaxoSmithKline Inc. (GSK).	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda No.10: Amendment of the cycle procedures of the Company's internal control system	Unanimously approved by all attending Audit Committee members	None	N/A
2020.05.13 2020 (1st) 9th Audit Committee Meeting	Agenda Item 1: Propose to provide a new loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 2: Propose to provide a loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 3: Propose to provide a loan guarantee of NT$50 million to Bora Pharmaceutical Laboratories Inc., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 4: Formulated "Procedures for Treasury Stock Repurchase".	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 5: Propose to increase capital for Canadian subsidiary.	Unanimously approved by all attending Audit Committee members	None	N/A
2020.08.06 2020 (2nd) 1st Audit Committee Meeting	Agenda Item 2: Propose to provide a loan guarantee to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 3: Propose to provide a loan guarantee to Bora Pharmaceutical Laboratories Inc., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 4: Establish the Company's internal control management.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 5: US subsidiary capital increase.	Unanimously approved by all attending Audit Committee members	None	N/A

		Agenda Item 6: Propose to provide guarantee (hereinafter referred to as the "Guarantee") for the Company's Canadian subsidiary, Bora Pharmaceuticals Services Inc. (hereinafter referred to as "borrower"), in applying for a syndicated loan led by CTBC Bank, of a total credit limit of CAD 75 million (hereinafter referred to as the "Loan"), and together sign a mortgage deed (hereinafter referred to as the "Mortgage Deed") and pledge all the shares of the borrower held by the Company to provide guarantee (hereinafter referred to as the "Stock Pledge").	Unanimously approved by all attending Audit Committee members	None	N/A
	2020.10.21 2020 (2nd) 2nd Audit Committee Meeting	Agenda Item 1: Propose to issue employee stock warrants.	Unanimously approved by all attending Audit Committee members	None	N/A
		Agenda Item 2: Amendment of "Procedures for Treasury Stock Repurchase".	Unanimously approved by all attending Audit Committee members	None	N/A
		Agenda Item 3: Propose to provide a loan guarantee to Bora Pharmaceutical Laboratories Inc., a company that is 100% owned by the Company, for its loan extension.	Unanimously approved by all attending Audit Committee members	None	N/A
		Agenda Item 4: Propose to continue to provide a loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	2020.11.12 2020 (2nd) 3rd Audit Committee Meeting	Agenda Item 1: Propose to extend a loan to Canadian subsidiary, Bora Pharmaceuticals Services Inc.	Unanimously approved by all attending Audit Committee members	None	N/A
		Agenda Item 3: Amendment of "2020 First Employee Stock Warrants Issuance and Terms and Conditions".	Unanimously approved by all attending Audit Committee members	None	N/A
	2020.12.29 2020 (2nd) 4th Audit Committee Meeting	Agenda Item 1: Propose to continue to provide a loan guarantee of NT$30million to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	2021.03.30 2020 (2nd) 5th	Agenda Item 1: The Company's "2020 Statement on Internal	Unanimously approved by all	None	N/A

Audit Committee Meeting	Control".	attending Audit Committee members		
	Agenda Item 2: Review the Company's independent assessment of certified public accountants	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 3: 2020 Business Operation Report and Financial Statements.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 5: Proposal to distribute new shares for capital increase by earnings.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 6: Propose to continue to provide a loan guarantee of NT$30 million to Bora Pharmaceutical Laboratories Inc., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 7: Propose to continue to provide a loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 8: Propose to continue to provide a loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 9: Propose to continue to provide a loan guarantee of NT$60 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
2021.05.13 2020 (2nd) 6th Audit Committee Meeting	Agenda Item 1: Propose to provide a credit purchase guarantee to Yuta Health Co., Ltd., a company that is 100% owned by the Company.	Unanimously approved by all attending Audit Committee members	None	N/A
	Agenda Item 2: Amendment of the Company's written internal control system.	Unanimously approved by all attending Audit Committee members	None	N/A

(II) Any issues apart from the aforementioned matters that are not agreed upon by the Audit Committee but passed by more than two thirds of all directors: None.

II. Implementation status of recusal by independent directors due to conflict of interest: None.

III. Communication between independent directors, chief internal auditors and certified public accountants:

(I) The chief internal auditor submits monthly audit report to the independent directors through email, and conduct discussion on matters such as audit, internal control, etc. There is full communication in the audit activities implementation and effectiveness.

(II) The Company's certified public accountants report and communicate with the independent directors on the audit results of financial statements (including consolidated financial statements), key audit items, important issues, or other relevant legal requirements, etc., from time to time after the quarterly audit committee meetings.

(III) The State of Implementation of Corporate Governance and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has in accordance with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, established various corporate governance regulations, please refer to the Company's website/Investors/Corporate Governance/Important Company Regulations (http://www.bora-corp.com/)	No material deviation
II. Company stock equity structure and shareholder equity				
(I) Does the company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly?	V		(I) The Company has established a spokesperson system and has appointed a spokesperson and a deputy spokesperson, and their contact numbers are disclosed in the Market Observation Post System, to facilitate handling of shareholder recommendations, doubts, disputes, and litigations to safeguard the shareholders' rights.	No material deviation
(II) Did the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		(II) The Company's daily shareholders affairs are handled by a professional shareholder services agent, and dedicated personnel is in charge of handling the relevant matters, and maintaining a register of major shareholders with controlling power and persons exercising ultimate control.	No material deviation
(III) Did the company establish and enforce risk control and firewall systems with its affiliates?	V		(III) The Company has business interactions with its affiliates, and the price terms and payment methods of such interactions are set based on the principles of fairness and reasonableness. In addition, the Company has established the "Rules Governing Financial and Business Matters Between the Company and its Affiliated Enterprises" to regulate the transactions between the affiliates, which would	No material deviation

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(IV) Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?	V		be able to achieve effective risk management. (IV) The Company has formulated "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" to prohibit company insiders from trading securities using information not disclosed to the market.	No material deviation
III. Board compositions and responsibilities (I) Has the board of directors developed and implemented a diversified policy for the composition of its members?	V		(I) Nomination and election of the members of the Company's board of directors adopts the candidate nomination system in accordance with the Articles of Incorporation, and is in compliance with the "Procedures for Election of Directors" and "Corporate Governance Best Practice Principles" to ensure the diversity and independence of the members of the board. In accordance with the Company's Corporate Governance Best Practice Principles, each board member has the necessary knowledge, skill, and experience. To achieve the ideal goal of corporate governance, the board of directors possesses the following abilities: I. The ability to make judgments about operations. II. Accounting and financial analysis ability. III. Business management ability. IV. Crisis management ability. V. Knowledge of the industry. VI. An international market perspective. VII. Leadership ability. VIII. Decision-making ability. Among the 7 members of the Company's 7th board of directors, those with the ability to lead, make operational judgments, manage business operations, conduct mergers and acquisitions, conduct transnational investment, manage	No material deviation

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			crisis, and possess industrial knowledge and international market perspective include Sheng Pao-Shi, Shen Shang-Hung, Chen, Guan-bai and Lin, Rui-yi, and among them, Director Shen Shang-Hung has professional competence in electrical engineering. Director Li, Yi-qin used to work in an internationally renowned management consulting company and has professional knowledge in global industries and investment analysis. Director Lai, Ming-Rong possesses the qualifications and experience of a certified public accountant, and has years of experience as a lecturer in the insurance industry, and expertise in financial accounting, securities insurance and corporate governance. Director Chen Shih-Min has served the Company for years, and his professional knowledge in biotechnology and pharmaceutical and international market perspective are greatly beneficial to the Company's business operations. Implementation and achievement of the goals of diversity of the members of the board are as follows: • Goal: Directors concurrently serving as company personnel not to exceed one-third of the total number of the board members Achievement: 2 directors of the Company concurrently serve as company personnel, constituting 29% of the total number of directors, which is less than one-third of the total number of directors, and the goal is hence achieved. • Goal: The composition of the board directors shall be diversified, with members having different industrial experience and expertise, so as to achieve the effect of the diversity policy.	

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			Achievement: The Company's directors possess the expertise and experience required for the business operations. Details of the state of implementation of diversity and professionalism can be found in Note 1.	
(II) In addition to remuneration committee and audit committee established according to law, has the company voluntarily established other functional committees?	V		(II) The Company's Articles of Incorporation stipulates that the board of directors may based on the needs of business operations, set up other functional committees, and establish a charter for the committee to be approved by the board of directors. The Company currently has a Compensation Committee and an Audit Committee, and may based on the Company's business development and regulatory requirements, set up other functional committees.	No material deviation
(III) Did the company stipulate regulations for performance evaluation of the board, and its evaluation method, and conduct performance evaluation on a yearly basis, and submit the performance evaluation results to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term.	V		(III) The Company has established a performance evaluation of the board, and its evaluation method. Regular evaluation has officially begun in 2020, and the evaluation results have been used as reference in determining compensation for individual directors, their nomination and additional office term. The evaluation results of the members of the board of directors, the board of directors, the Audit Committee and the Compensation Committee have been submitted to the board of directors on March 30, 2021, to facilitate the board in understanding the operational performance and to continue to track and improve. For details of the evaluation, please refer to "The State of Implementation of Corporate Governance" - "(I) The State of Operations of the Board of Directors" of the Annual Report.	No material deviation

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(IV) Did the company regularly implement assessments on the independence of the certified public accountants?	V		(IV) The Company has in accordance with the regulations relating to independence as stated in Bulletin No. 10 "Integrity, Objectivity and Independence" of "The Norm of Professional Ethics for Certified Public Accountant of the Republic of China", established the Company's evaluation standard on the independence of the accountants, and evaluates the independence of the certified public accountants on a yearly basis. Has obtained the Auditor's Independence Declaration, and conducted evaluation based on the above independence evaluation standard. The evaluation results show that the certified public accountants Fuh, Wen Fun and Lin, Li Huang from Ernst & Young, Taiwan, both conform to the standards of independence established by the Company, and hence are capable of serving as the Company's certified public accountants. The Company has submitted the results to the board of directors on March 30, 2021, and the audit committee has approved the results. Details of the certified public accountants' independence evaluation standards are in Note 2.	No material deviation
IX. Does the TWSE/TPEx listed company have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance officer to be in charge of corporate governance affairs (include but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to laws, producing minutes of board	V		(I) Appointment of chief corporate governance officer The Company continues to promote and implement corporate governance to enhance the functions of the board of directors and safeguard the rights and interests of the shareholders. The Company has, before the mandatory requirements, passed a board resolution on March 30, 2021 to appoint Director Alice Wang as the Company's chief corporate governance officer, the highest ranking officer in charge of corporate governance related matters. Director Wang has more than 3 years experience	No material deviation

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
meetings and shareholders meetings, etc.)?			heading the law, finance, stock affairs or corporate governance related matters units in public companies, and hence meets the qualifications of a chief corporate governance officer. (II) Scope of duties and powers Main duties include supervising and executing the establishment and operation of corporate governance related rules and regulations, including handling of matters relating to board of directors meetings and shareholders meetings in compliance with law, reviewing and preparation of minutes of board of directors meetings and shareholders meetings, assisting in onboarding and continuing education of the directors, providing information required for performance of duties by the directors, and assisting directors in complying with the laws and regulations, etc.	
X. Has the company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of the company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	V		The Company has a spokesperson and deputy spokesperson as channels of communication for stakeholders. The Company has planned to set up a stakeholder's message corner on the website, and a dedicated person will be responsible for responding to the questions.	No material deviation
XI. Did the company engage a professional shareholder services agent to handle shareholders meeting matters?	V		The Company has engaged the Stock-Affairs Agency Department, Taishin International Bank Co., Ltd. to handle matters relating to shareholders meeting.	No material deviation
XII. Information disclosure (I) Has the company set up a website to disclose information regarding the company's financial operations and corporate governance?	V		(I) The Company has set up an Investors corner in the website to disclose information relating to financial operations and corporate governance. Website: http://www.bora-corp.com/	No material deviation

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(II) Did the company adopt other information disclosure methods (such as establishing English websites, assign dedicated personnel to collect and disclose company data, implement the spokesperson system, upload the investor conference processes to the company's website, etc.)?	V		(II) In accordance with the competent authority and relevant laws and regulations, The Company makes public announcements and declarations of the various information, has set up Chinese and English websites, assigned dedicated personnel to collect and disclose Company data and implemented the spokesperson system, and uploads the investor conference processes to the Company's website, to enable shareholders to obtain material information and events information from the Market Observation Post System and the Company's website.	No material deviation
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?		V	(III) The Company currently reports and publishes its annual financial report within the deadline stipulated in the Securities and Exchange Act, and has not published and reported the financial report within two months after the end of a fiscal year. In the future, it will adjust its reporting date based on the closing of the accounts.	Evaluating
XIII. Is there any other important information to facilitate a better understanding of the state of implementation of corporate governance (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		1. Employees' rights and employee care: The Company always values labor-management relations, treats its employees with integrity, and safeguards the legitimate rights and interests of its employees in accordance with the Labor Standards Act; and through the employee welfare system and a good education and training system, it allows the employees to contribute through their jobs. 2. Investor relations: The Company's biggest goal is to protect the rights and interests of the shareholders, and treat all shareholders equitably. Besides publishing the Company's material information such as finances, operations and changes in insider shareholdings through	No material deviation

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			the Market Observation Post System in a timely manner in accordance with the law, an Investors corner is also set up in the Company's website to provide timely disclosure of the Company's finances, operations, and corporate governance. The minutes of the Company's annual general shareholders' meeting are recorded in accordance with the Company Act and relevant laws and regulations, and published in the Company's website and retained for the duration of the existence of the Company. 3. Supplier relationship: The Company establishes close long-term relationship with suppliers based on win-win principle, in the aim to achieve mutual trust and mutual benefit, and together pursue sustainable growth. 4. Rights and interests of stakeholders Stakeholders may communicate and make recommendations to the Company to safeguard their legal rights. 5. Status of directors' continuing education: The Company's directors possess relevant professional knowledge, and in accordance with the relevant laws and regulations, attend courses related to securities regulations. Has disclosed under Corporate Governance of the Market Observation Post System (http://mops.twse.com.tw/mops/web/t100sb07). 6. State of implementation of risk management policy and risk assessment standards: The Company has established an internal control system to prevent any possible risks, and the audit unit conducts regular and occasional checks on the execution and improvement of the internal control system. The Company has also purchased various business related insurances, such as fire insurance, theft insurance, product liability insurance and employees'	

<table>
<tr><th rowspan="2">Evaluation items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>group insurance, etc. to reduce various types of risks.
7. Status of implementation of customer policies: The Company maintains stable and good relationship with customers, and upholds the policy of putting customer first, to generate profit for the Company.
8. Status of purchase of liability insurance for directors and supervisors: The Company has since June 27, 2014, purchased liability insurance for its directors and independent directors so as to strengthen the protection of shareholders' rights and interests. The status of purchase of liability insurance for all directors in 2020 are as follows:
<table>
<tr><th>Insured party</th><th>Insurance company</th><th>Policy duration (from/to)</th><th>Insured amount (NT$: X)</th></tr>
<tr><td rowspan="2">All directors and managerial personnel</td><td>Insurance Company of North America, Taiwan Branch</td><td>From: July 28, 2020 To: July 28, 2021</td><td rowspan="2">US$5,000,000 (equivalent to NT$142,675 thousand)</td></tr>
<tr><td>Shinkong Insurance Co., Ltd.</td><td>From: June 27, 2019 To: July 27, 2020</td></tr>
</table>
</td><td></td></tr>
<tr><td colspan="5">XIV. Please describe the improvement status and provide the items and measures that shall be prioritized for improvement with regard to the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year.
(not required as the Company is not an assessed company):
1. The Company has established "Bora Pharmaceuticals Co., Ltd. Corporate Governance Best Practice Principles", which has been passed in a resolution of the board, by referencing "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", to uphold the spirit of corporate governance, thereby maximizes the rights and interest for the shareholders and pursues the Company's sustainable operation. There are no significant differences between Company's state of implementation of corporate governance and "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies".</td></tr>
</table>

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
2. The Company ranks in the top 66 to 80% TWSE-listed companies in the 7th Corporate Governance Evaluation Results. There are 84 evaluation indicators (including 2 extra indicators), and the Company scored in 35 indicators, and the 2 extra indicators. Pertaining to indicators which the Company did not score, the priority for improvements and countermeasures are as follows: (1) In the future, the Company will improve the disclosure content on the Chinese and English websites, so as to increase the Company’s information transparency. (2) The Company will assess setting up relevant dedicated unit to continue to effectively promote the relevant improvement measures for corporate social responsibility. (3) The Company will continue to evaluate and consider possible improvement measures for indicators which it did not score.				

Note 1: State of implementation of diversity in the composition of the board of directors:

	Age		Industrial experience				Expertise				
Diversified core elements / Name/Title/Gender	45-55	55-65	Securities investment	Media technologies	International trade	Bank insurance	Asset management	Accounting Economics	Electrical Civil engineering	Business management	Biotechnology and medicine
Sheng Pao-Shi Chairman (Male)	V		V	V	V		V	V			V
Shen Shang-Hung Director (Male)		V	V		V		V		V	V	
Chen Shih-Min Director (Male)	V										V
Chen Kuan-Pai Director	V		V							V	

(Male)											
Lai Ming-Jung Independent director (Male)		V	V			V	V	V			
Lee Yi-Chin Independent director (Male)		V	V	V					V	V	
Lin Jui-Yi Independent director (Male)	V			V	V	V	V			V	
Total ratio %	**57**	**43**	**71**	**43**	**43**	**29**	**57**	**29**	**29**	**57**	**29**

Note 2: Most recent year's independence evaluation standard for certified public accountants:

Evaluation items	Evaluation results	Compliance of independence
1. Does the accountant have a direct or material indirect financial interest in the Company?	No	Yes
2. Have the accountant received a loan or guarantee from the Company or the Company's directors?	No	Yes
3. Does the accountant have a close business relationship and potential employer-employee relationship with the Company?	No	Yes
4. Is the accountant or audit committee member currently holding or has in the past two years held, a position in the Company as director or managerial personnel, or a position that has a significant impact on the audit work?	No	Yes
5. Has the accountant provided the Company with non-audit related services that may directly impact the audit work?	No	Yes
6. Has the accountant acted as an agent of shares or other securities issued by the Company?	No	Yes
7. Has the accountant acted as a defender of the Company or represented the Company in mitigating a dispute with a third party?	No	Yes
8. Is the accountant a relative of the Company's director, managerial personnel, or personnel whose position has a significant influence on the audit?	No	Yes

(IV) If the company has set up a compensation committee, its composition, responsibilities and operations shall be disclosed:

1. Compensation Committee member profiles

Position	Criteria / Name	Has at least 5 years of working experience and meets one of the following professional qualifications			Compliance of independence (Note 3)										Number of other public companies in which the member also serves as a member of their remuneration committee	Remarks
		An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the business needs of the company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10		
Independent director	Lin Jui-Yi	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	—
Independent director	Lee Yi-Chin	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	—
Independent director	Lai Ming-Jung	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	—

Note 1: The Company has in accordance with the laws and regulations, set up a 3-member Compensation Committee. Their scope of duties and power include setting and conducting regular review of the performance evaluation and remuneration policies, system, 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.

Note 2: If the member complies with the following criteria in the past 2 years before the appointment and during the appointment, please put a "✓" under the corresponding criteria.

(1) Not employed by the Company or any of its affiliates.

(2) Not serving as a director or supervisor of any of the Company's affiliated companies (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to

Paragraph 1 or 2, Article 27 of the Company Act (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(6) Not a director, supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(7) Not a director, supervisor, or employee of a company or institution with the same chairman, president, or equivalent position, or a spouse thereof (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Operations of the Compensation Committee

(1)The Company's Compensation Committee consists of 3 members.

(2)Term of the (4th) Compensation Committee: May 28, 2020 to May 27, 2023; in 2020 and 2021 as of the date of publication of the annual report, the Compensation Committee has held 7 meetings (A); the members' qualifications and attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener of the 4th Committee	Lai Ming-Jung	7	—	100%	Convener of the 3rd and 4th Committee; re-elected on May 28, 2020 during the board of directors re-election.
Committee Member	Lin Jui-Yi	7	—	100%	Convener of the 1st to 4th Committee; re-elected on May 28, 2020 during the board of directors re-election.
Committee Member	Lee Yi-Chin	7	—	100%	Convener of the 3rd and 4th Committee; re-elected on May 28, 2020 during the board of directors re-election.

Other matters that should be recorded:

I. If the board meeting does not adopt or revise the compensation committee's proposals, the board meeting's date, period, motion contents, and resolution decisions as well as the method in which the company handles the compensation committee's opinions shall be disclosed in detail (e.g. if the salary rate adopted by the board committee is superior to that proposed by the compensation committee, the differences and reasons shall be explained):

(I) Discussions and resolutions of the compensation committee:

Date of convening	Discussion items:	Resolution
2020.01.08 2020 1st meeting of the Compensation Committee	Agenda Item 1: 2019 allocation of partial shares issued for cash capital increase to managerial personnel' share subscription.	Unanimously approved by all attending committee members
2020.03.09 2020 2nd meeting of the	Agenda Item 1: 2019 Employees' and Directors' Compensation.	Unanimously approved by all attending

	Compensation Committee		committee members	
		Agenda Item 2: 2019 managerial personnel year-end bonus and employee remuneration distribution.	Unanimously approved by all attending committee members	
		Agenda Item 3: 2019 director remuneration distribution.	Unanimously approved by all attending committee members	
		Agenda Item 4: Transfer of partial treasury stock to managerial personnel in accordance with the Company's "Procedures for Share Repurchase and Transfer to Employees" and "2017 Procedures for Share Repurchase and Transfer to Employees".	Unanimously approved by all attending committee members	
	2020.10.21 2020 3rd meeting of the Compensation Committee	Agenda Item 1: Amendment to the Company's "Procedures of Directors Remuneration and Distribution".	Unanimously approved by all attending committee members	
		Agenda Item 2: 2020 managerial personnel' salary adjustment	Unanimously approved by all attending committee members	
	2020.11.12 2020 4th meeting of the Compensation Committee	Agenda Item 1: Managerial personnel details for 2020 first employee stock warrants distribution.	Unanimously approved by all attending committee members	
	2020.12.29 2020 5th meeting of the Compensation Committee	Agenda Item 1: Details of 2020 managerial personnel' year-end performance bonus and merger and acquisition bonus.	Unanimously approved by all attending committee members	
	2021.03.30 2021 1st meeting of the Compensation Committee	Agenda Item 1: 2020 director remuneration distribution proposal.	Unanimously approved by all attending committee members	
		Agenda Item 2: 2020 director remuneration distribution details.	Unanimously approved by all attending committee members	
		Agenda Item 3: 2020 Earnings Distribution Proposal.	Unanimously approved by all attending committee members	

	Agenda Item 4: Amendment to the Company's "Procedures for Distribution of Managerial personnel Remuneration".	Unanimously approved by all attending committee members
	Agenda Item 5: Distribution of remaining bonus from 2020 managerial personnel' year-end performance bonus.	Unanimously approved by all attending committee members
2021.05.13 2021 2nd meeting of the Compensation Committee	Agenda Item 1: 2020 managerial personnel details for earnings distribution proposal.	Unanimously approved by all attending committee members
	Agenda Item 2: 2020 salary adjustment proposal for managerial personnel.	Unanimously approved by all attending committee members

(II) In the most recent year, the Company's board of directors did not decline to adopt nor modify the recommendations of the Compensation Committee.

II. If there are objections or reservations by the members that have been recorded in writing during the Compensation Committee resolution, the Compensation Committee meeting's date, period, motion content, the opinions of all members, and treatment of the member's opinions must be disclosed in detail: In the most recent year, there were no objections or reservations on record or stated in a written statement from members of the compensation committee.

(V) Fulfillment of social responsibilities and the deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons

Evaluation items	Implementation status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons
	Yes	No	Summary	
I. Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies?	✓		The Company has established "Corporate Social Responsibility Best Practice Principles", and in accordance with the best practice principles and materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations.	No material deviation
II. Did the company establish full (part) time corporate social responsibility promotional units, and did the board of directors authorize high-level managements to handle such units and report to the board regarding handling status?	✓		For the purpose of managing corporate social responsibility initiatives, a dedicated personnel from the General Manager Office is concurrently responsible for proposing and executing corporate social responsibilities.	No material deviation
III. Environmental Issues				
(I) Has the company established an appropriate environmental management system based on the characteristics of the industry to which it belongs?	✓		(I) The Company is a PIC/S GMP certified drug manufacturer, and has passed site inspections by US FDA and UK MHRA. It has established relevant management mechanisms for the manufacturing process, and among them is the strict accordance with standard operating procedures in handling of waste generated, and clearing by external professional clearing companies. The Company has also in accordance with the laws and regulations, applied for Water Pollution Control permit, and a dedicated personnel is appointed to handle the relevant matters.	No material deviation
(II) Is the company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?	✓		(II) The Company is dedicated in improving the usage efficiency of the various resources. The Company's main businesses are research and development, and sale of western drugs and health products;	No material deviation

<table>
<tr><th rowspan="2">Evaluation items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?
(IV) Does the company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumption, carbon and greenhouse gas emission, and waste production?</td><td>✓
✓</td><td></td><td>manufacturing and CDMO of drugs; and development and CDMO of new drugs. As it does not belong to an energy-intensive and highly polluting industry, there is not much utilization of renewable resources with reduced environmental impact.
(III) The Company's management assesses the current and future potential risks and opportunities of the Company due to climate change from time to time, and develops appropriate response measures on the relevant issues.
(IV) The Company does not belong to an energy-intensive and highly polluting industry. However, in response to energy conservation and carbon reduction initiatives, the Company conducts regular promotion and inspection in terms of electricity saving, water saving, reuse of recyclable materials, and control of air-conditioning and lighting, for proper utilization of resources and playing a part for environmental protection.</td><td>No material deviation
No material deviation</td></tr>
<tr><td>IV. Social Issues
(I) Has the company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?</td><td>✓</td><td></td><td>(I) The Company complies with the relevant regulations of the labor law, and has established working rules and complete personnel management regulations, and respect internationally recognized human rights of labor, including freedom of association, collective bargaining rights, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, etc., to safeguard the rights and interests of the employees. The basic salary, working hours, leave, pension,</td><td>No material deviation</td></tr>
</table>

Evaluation items	Implementation status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons
	Yes	No	Summary	
			payment of labor and health insurance, compensation for occupational accidents, etc., of the staffs employed by the Company comply with the relevant regulations of Labor Standards Act.	
(II) Has the company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		(II) The Company has established relevant welfare measures for the welfare and rights and interests of the employees, and upon discussion with the management, reflect the Company's yearly operating performance or results in the employee compensation appropriately.	No material deviation
(III) Has the company provided a safe and healthy working environment and provided employees with regular safety and health training?	✓		(III) The Company provides the employees with comfortable, safe and healthy working environment, include implementing necessary access control measures, conducting regular occupational safety and health education and training, banning smoking indoors and setting up staff canteen in the facility, etc. The Company pays high attention to the safety of the employees, where half-yearly fire and evacuation drills are conducted in the plants, and all employees receive fire-fighting training every year. There were no major occupational accidents or casualties in the past three years. Pertaining to the employees' health, besides providing annual medical checkup for the employees, the Company also allows employees to purchase the Company's health products at a discounted price. The Company convenes labor-management meetings and sets up a staff welfare committee in accordance with the law. Through meetings with the employees, it establishes a channel for regular communication with employees, allowing employees to obtain information and have the right to express opinions	No material deviation

Evaluation items	Implementation status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons
	Yes	No	Summary	
			on the Company's operation and management activities and decisions, thereby promote a harmonious labor-management relationship and create a mutual benefit and win-win situation.	
(IV) Has the company set up effective career development and training programs for its employees?	✓		(IV) The Company provides an excellent career building environment and establishes effective career and competence development and training program for the employees, in the aim to increase the competitive advantage of the employees and Company.	No material deviation
(V) Does the company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, advertising and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	✓		(V) To safeguard the rights and interest of the consumers, various services and information are provided, including toll-free customer service hotline, 0800-369-008, and a complete complaints handling process served by dedicated personnel. A responsible unit establishes the handling method and timeliness of commitments, tracks the implementation effectiveness, and strengthens the service process.	No material deviation
(VI) Has the company formulated supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request their reporting on the implementation of such regulations?	✓		(VI) The marketing and labeling of the Company's products and services comply with the relevant laws and regulations in the industry, the plants have passed US FDA and UK MHRA site inspections, and the product development and production comply with international pharmaceutical regulations. The contracts between the Company and its suppliers do not specially stipulate the terms where the Company may terminate or rescind the contract at any time if the supplier violates the Company's corporate social responsibilities policy, and causes significant impact on the environment and society. However, if the Company discovers	No material deviation

Evaluation items	Implementation status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons
	Yes	No	Summary	
			that the above circumstances occur, the Company will no longer select the supplier who do not pay attention to corporate social responsibilities.	
V. Has the company, following internationally recognized guidelines, prepared reports such as its Corporate Social Responsibility Report to disclose non-financial information of the company? Has the company received assurance or certification of the aforementioned reports from a third-party accreditation institution?		✓	The Company has not prepared corporate social responsibility report, but has disclosed relevant and reliable information relating to corporate social responsibility in the Market Observation Post System and the Company's website.	Evaluating
VI. If the company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has established "Corporate Social Responsibility Best Practice Principles", and the operations are similar to that of "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" , and will progressively integrate corporate social responsibility into various operation aspects in the future.				
VII. Other key information useful for explaining status of corporate social responsibility practices: The Company aims to become a professional pharmaceutical and healthcare marketing company, provide better and higher quality professional services. With the marketing and promotion of a strong team, it hopes to correctly convey to medical personnel and consumers the most complete medical and health information and product knowledge. For better control of disease, better care of health, and better industrial development, health is no longer a physiological need, but an ultimate portray of the quality of life. Besides putting effort in the core business, the Company believes in giving back to the society and hopes to play a part in promoting social welfare. In addition, From 2020 to the publication date of the annual report in 2021, the Company has donated a total of NT$572 thousand to non-profit organization or institutions.				

(VI) Implementation of corporate management and deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
I. Establishment of ethical management policies and solutions				
(I) Has the company established the ethical corporate management policies approved by the board of directors and specified in its rules and external documents, the ethical corporate management policies and practices as well as the commitment of its board of directors and senior management to implementing the management policies?	✓		(I) To establish an ethical corporate culture and strengthens corporate governance and risk control to build a sound operating environment, the Company has established “Ethical Corporate Management Best Practice Principles” and “Codes of Ethical Conduct”, stipulating that the Company’s directors, managerial personnel and employees shall comply with the laws and regulations and prevent unethical behavior when conducting business activities.	No material deviation
(II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess operating activities with higher risk of unethical conducts on a regular basis, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		(II) The Company’s internal regulations stipulate that employees when engaging in commercial activities shall not directly or indirectly accept any improper benefits. Staff trainings are also conducted from time to time to strengthen the promotion of the importance of integrity.	No material deviation
(III) Has the company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, implemented the policies, and review the policies on a regular basis?	✓		(III) The Company implements the relevant regulations of corporate governance by establishing regulatory compliance, internal control system and audit system, strengthening the function of the board of directors, fulfilling the function of supervisors, and increasing information transparency.	No material deviation
II. Implementation of ethical corporate management				
(I) Has the company evaluated the integrity records of	✓		(I) The Company evaluates its trading counterparty by	No material deviation

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
parties it does business with and stipulated ethical conduct clauses in business contracts?			conducting credit investigation on customers and evaluation on suppliers to prevent unethical business activities, and gradually specifies in the contracts with the trading counterparty, the terms on ethical conduct.	
(II) Has the company set up a dedicated unit under the board of directors to promote ethical corporate management and regularly (at least once every year) report to the board of directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓		(II) To implement ethical management policy, the Company has established "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct" and "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading". Dedicated units report the state of implement to the board of directors at least once per year, and the relevant regulations are continuously modified and promoted according to the regulatory updates. In 2020, the dedicated units conducted ethical management promotion and training for 3,501 people (about 928.5 hours), and reported the implementation status to the board of directors on May 13, 2021. 1. Set up dedicated unit in promoting ethical management: The original dedicated unit for promoting ethical management was the General Manager Office. To fully integrate the planning and promotion of the various activities of corporate governance, the Company passed a board resolution on March 30, 2021, to appoint the Director of Finance & Accounting Division, Alice Wang, as the chief corporate governance officer, responsible for coordinating the various corporate governance activities. The dedicated unit for ethical	No material deviation

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
			management is incorporated into the scope of duties of the corporate governance unit, where the chief corporate governance officer will lead the dedicated personnel from the various departments responsible for ethical management promotion. 2. Scope of duties and powers (1) Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations. (2) Analyzing and assessing the risks of unethical conduct within the business scope on a regular basis and accordingly adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business. (3) Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct. (4) Promoting and coordinating awareness and educational activities with respect to ethics policy. (5) Developing a whistle-blowing system and ensuring its operating effectiveness. (6) Assisting the board of directors and	

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
			management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.	
(III) Has the company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?	✓		(III) The recusal system for directors is specified in the Company's "Rules of Procedure for Board of Directors Meetings". The directors shall uphold a high level of self-discipline and when a proposal at a board meeting concerns the personal interest of, or the interest of the juristic person represented by any of the directors, and is likely to prejudice the interest of the Company, the director may state his or her opinion and answer queries, may not participate in discussion of or voting on the proposal, shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director.	No material deviation
(IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and designated its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or commissioned a certified public accountant to conduct the audit?	✓		(IV) The Company has established and implemented an internal control system. The internal auditors regularly review its state of compliance, and prepare an audit report to be submitted to the board of directors. In addition, to ensure the system design and execution continue to be effective, the Company conducts annual review and modification to establish a good corporate governance and risk control system, which is used as basis for assessing the effectiveness of the overall internal control	No material deviation

<table>
<tr><th rowspan="2">Evaluation items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(V) Has the company held internal and external educational trainings on operational integrity regularly?</td><td>✓</td><td></td><td>system and preparation of the internal control system statement.

(V) Through new employee training and regulatory advocacy from time to time, the Company aims to convey the corporate philosophy of ethical management to all employees, and the training and campaign of ethical management in 2020 are as follows:
Unit: Number of people; hours
<table>
<tr><th>Meeting name/course name</th><th>Total number of people</th><th>Total Hours</th></tr>
<tr><td>Quarterly town hall for all employees - Promotion of corporate ethical culture</td><td>3,288</td><td>822</td></tr>
<tr><td>Monthly supervisor meeting - Promotion of corporate ethical culture and policy</td><td>144</td><td>72</td></tr>
<tr><td>New employee working rules - Ethics and whistleblowing system for inappropriate behaviors</td><td>69</td><td>34.5</td></tr>
<tr><td>Total</td><td>3,501</td><td>928.5</td></tr>
</table></td><td>No material deviation</td></tr>
<tr><td>III. Implementation status of the Company's whistle-blowing system
(I) Has the company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers?
(II) Has the company established standard operating</td><td>✓

✓</td><td></td><td>(I), (II), and (III):
The Company has established “Ethical Corporate Management Best Practice Principles”, “Codes of Ethical Conduct”, “Rules on Employees Rewards and Punishments”, various personnel management</td><td>No material deviation

No material deviation</td></tr>
</table>

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
procedures for investigating reported issues, follow-up measures to be adopted after the investigation, as well as relevant confidential mechanisms? (III) Has the Company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?	✓		regulations, and follow-up measures to be adopted upon completion of investigation. There is also an employee suggestion box, where employees can convey their message in a safe and confidential manner under the rigorous whistleblowing system. The Company has set up a dedicated unit to verify and respond to the whistleblowing case. In 2020, there were no whistleblowing case or complaint of unethical or immoral behavior received.	No material deviation
IV. Enhance information disclosure (VI) Did the company disclose the content and effectiveness of its ethical management management principles on the company's website and the Market Observation Post System?	✓		The Company has put up the “Ethical Corporate Management Best Practice Principles” and “Codes of Ethical Conduct” in the Company’s website, under Investors/Corporate Governance/Important Company Regulations.	No material deviation
V. If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe any discrepancy between the principles and their implementation: The Company has established “Ethical Corporate Management Best Practice Principles”, and there are no significant difference between the operation and the principles. In the future, it will gradually incorporate Ethical Corporate Management Best Practice Principles into the various operational aspects.				
VI. Other key information useful for explaining the Company's implementation of ethical corporate management: The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better effectiveness of ethical management.				

(VII) If the company has established corporate governance best-practice principles and the related regulations, disclose how these are to be searched:

The Company has in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", established the following regulations and procedures, and published them in the Company's website, http://www.bora-corp.com/

1. Articles of Incorporation
2. Rules of Procedure for Shareholders Meetings
3. Procedures for Election of Directors
4. Regulations Governing the Acquisition and Disposal of Assets
5. Procedures for Lending Funds to Other Parties
6. Procedures for Endorsements and Guarantees
7. Procedures for Engaging in Financial Derivative Transactions
8. Ethical Corporate Management Best Practice Principles
9. Corporate Governance Best Practice Principles
10. Rules of Procedure for the Board of Directors' Meetings
11. Audit Committee Charter
12. Rules Governing the Scope of Powers of Independent Directors
13. Corporate Social Responsibility Best Practice Rules
14. Operating Procedures for Handling Internal Material Information and Preventing Insider Trading

(VIII) Other important information to facilitate better understanding of the state of implementation of corporate governance:

Please refer to "(III) The State of Implementation of Corporate Governance and its deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons – VIII"

(IX) Status of implementation of internal control system

1. Internal Control System Statement: Please refer to page 71.
2. If the internal control system review is conducted by commissioned accountants, the said accountant's review report shall be disclosed: None.

Bora Pharmaceuticals Co., Ltd.
Internal Control System Statement

Date: March 30, 2021

The Company's 2020 Statement of Internal Control System, based on self-assessment results, is as follows:

I. The Company recognizes that the establishment, execution, and maintenance of its internal control policies are the responsibilities of the Company's board of directors and managerial personnel; such policies have been implemented throughout the Company. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.

II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the three aforementioned goals. The efficacy of the internal control system will also change with the changing environment or circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Monitoring operations. Each component also comprised several items. Please refer to "Governing Regulations" for details.

IV. The Company has adopted the items for determining internal control systems in order to evaluate the effectiveness of its internal control system design and implementation.

V. Based on the aforementioned evaluation results, the Company believes that the design and execution of its December 31, 2020 internal control system (including those adopted for supervision and management of subsidiary branches) are effective in terms of understanding of operational effectiveness, level of efficiency fulfillment, financial reporting reliability, timeliness, transparency, and regulatory compliance-related internal control system items; and that the Company can reasonably achieve the aforementioned goals.

VI. This statement of declaration shall be the primary content of annual report and prospectus, and shall be made available to the public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.

VII. This Statement was approved by the board on March 30, 2021 where none of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Bora Pharmaceuticals Co., Ltd.

Chairman: Sheng Pao-Shi

General Manager: Sheng Pao-Shi

(X) Any penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company on internal personnel for violation of the Company's internal control system regulations, major defects and corrective action thereof in the most recent fiscal year and as of the date of this annual report: None.

(XI) Important resolutions of shareholders meeting and board meeting in the most recent year and up to the date of publication of the annual report

1. Important resolutions of board meetings

Date	Important proposals summary	Implementation status
2020/05/28 (Annual General Shareholders' Meeting)	1. 2019 Business Operation Report and Financial Statements.	Comply with the resolution
	2. The Company's 2019 Earnings Distribution.	Has set 2020/07/12 as dividend record date, and 2020/07/31 as cash dividend distribution date.
	3. Transfer of special reserves to retained earnings	Comply with the resolution.
	4. Amendment to the Articles of Incorporation	Comply with the resolution.
	5. Amendment to the Procedures for Lending Funds to Other Parties.	Comply with the resolution.
	6. Proposal for acquisition of the Canadian facility of GlaxoSmithKline Inc. (GSK).	Comply with the resolution.
	7. Proposal for reelection of all directors.	Comply with the resolution.
	8. Lifting of non-compete restriction on all directors and their representatives.	Comply with the resolution.

2. Important resolutions of board meetings

Date	Type of meeting	Important resolutions
2020/01/08	Board of Directors	1. Proposal of 2019 cash capital increase through issuance of new shares 2. 2019 cash capital by issuing new shares for managerial personnel and employee stock subscription by director who is an employee. 3. Propose to provide a loan guarantee of NT$30 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company. 4. Propose to renew loan agreement with financial institution. 5. Propose to renew loan agreement with financial institution. 6. Adjustment of subscription price of employee stock warrants.
2020/03/09	Board of directors	1. The Company's "2019 Statement on Internal Control". 2. Review the Company's independent assessment of certified public accountants 3. 2019 Business Operation Report and Financial Statements. 4. The Company's 2019 Earnings Distribution. 5. Proposal to distribute new shares for capital increase by earnings. 6. Establishment of Canadian subsidiary 7. Amendment to the Procedures for Lending Funds to Other Parties. 8. Propose to provide endorsements and guarantees to the Company's 100% owned Canadian subsidiary. 9. Proposal for acquisition of the Canadian facility of GlaxoSmithKline Inc. (GSK). 10. Proposal for reelection of all directors. 11. Nomination of candidates for directors and independent directors. 12. Proposal to release the prohibition on competitive activities of directors. 13. Proposal to convene 2020 Annual General Shareholders' Meeting. 14. Amendment of the cycle procedures of the Company's internal control system 15. 2019 Employees and Directors' Compensation. 16. Discussion on the Company's 2019 managerial personnel year-end bonus and remuneration distribution. 17. Execution of treasury stock repurchase and transfer to employees.
2020/03/20	Special meeting of the board of directors	1. Establishment of the Company's "2020 Procedures for Share Repurchase and Transfer to Employees". 2. Repurchase of Company shares.
2020/05/13	Board of directors	1. Propose to provide a new loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company. 2. Propose to provide a loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the

Date	Type of meeting	Important resolutions
		Company. 3. Propose to provide a loan guarantee of NT$50 million to Bora Pharmaceutical Laboratories Inc., a company that is 100% owned by the Company. 4. Propose to sign loan agreement with financial institution. 5. Propose to sign loan agreement with financial institution. 6. Propose to sign loan agreement with financial institution. 7. Propose to sign loan agreement with financial institution. 8. Formulated “Procedures for Treasury Stock Repurchase”. 9. Propose to increase capital for Canadian subsidiary. 10. Propose to rename subsidiary
2020/05/28	Special meeting of the board of directors	1. Election of chairman 2. The Company proposes to appoint the 3rd Compensation Committee
2020/06/16	Board of directors	Set dividend record date
2020/08/06	Board of directors	1. Propose to provide a loan guarantee to Yuta Health Co., Ltd., a company that is 100% owned by the Company. 2. Propose to provide a loan guarantee to Bora Pharmaceutical Laboratories Inc., a company that is 100% owned by the Company. 3. Propose to renew loan agreement with financial institution. 4. Establish the Company’s internal control management system. 5. U.S. subsidiary capital increase. 6. Propose to provide guarantee for the Company’s Canadian subsidiary, Bora Pharmaceuticals Services Inc., in applying for a syndicated loan led by CTBC Bank, of a total credit limit of CAD 75 million, and together sign a mortgage deed and pledge all the shares of the borrower held by the Company to provide guarantee.
2020/08/13	Board of directors	1. Propose to renew loan agreement with financial institution. 2. Evaluation of accounts receivable of the Company and subsidiary that have been outstanding for specified periods of time
2020/10/21	Board of directors	1. Propose to issue employee stock warrants. 2. Amendment to the Procedures for Treasury Stock Repurchase. 3. Set ex-right record date and adjust subscription price of employee stock warrants. 4. Propose to provide a loan guarantee to Bora Pharmaceutical Laboratories Inc., a company that is 100% owned by the Company, for its loan extension. 5. Propose to continue to provide a loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company. 6. Propose to renew loan agreement with financial institution. 7. Amendment to the Procedures of Directors Remuneration and Distribution 8. Managerial personnel’ salary adjustment

Date	Type of meeting	Important resolutions
2020/11/12	Board of directors	1. Earnings Distribution for the first half of 2020. 2. Propose to extend a loan to Canadian subsidiary, Bora Pharmaceuticals Services Inc. 3. The Company's 2021 Internal Audit Plan 4. Amendment to the "2020 First Employee Stock Warrants Issuance and Terms and Conditions". 5. Managerial personnel details of 2020 First employee stock warrants distribution.
2020/12/29	Board of directors	1. The Company's 2021 Budget 2. The Company's 2021 Business Plan 3. Propose to sign loan agreement with financial institution. 4. Propose to renew loan agreement with financial institution. 5. Propose to continue to provide a loan guarantee of NT$30million to Yuta Health Co., Ltd., a company that is 100% owned by the Company. 6. Propose to change the Company's operation address 7. For business expansion requirements, propose to apply to the competent authority for investing and setting up subsidiary, "Bora Management Consulting Co., Ltd."
2021/03/30	Board of directors	1. The Company's 2020 Statement on Internal Control. 2. Review the independent assessment of Company's certified public accountants 3. 2020 Business Operation Report and Financial Statements. 4. 2020 Surplus Distribution in the form of Cash Dividend 5. Amendment to the Articles of Incorporation 6. Distribute new shares for capital increase by earnings 7. 2020 Employees' and Directors' Compensation 8. Discussion of 2020 year-end performance bonus distribution for the Company's managerial personnel 9. Amendment to the Company's "Procedures for Distribution of Managerial Personnel Remuneration". 10. Amendment to the Codes of Ethical Conduct 11. Amendment to the Rules of Procedure for Shareholders Meetings 12. Propose to convene 2021 Annual General Shareholders' Meeting 13. Propose to sign loan agreement with financial institution. 14. Propose to sign loan agreement with financial institution. 15. Propose to continue to provide a loan guarantee of NT$30 million to Bora Pharmaceutical Laboratories Inc., a company that is 100% owned by the Company. 16. Propose to continue to provide a loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company. 17. Propose to sign loan agreement with financial institution. 18. Propose to continue to provide a loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned by the Company. 19. Propose to continue to provide a loan guarantee of NT$20 million to Yuta Health Co., Ltd., a company that is 100% owned

Date	Type of meeting	Important resolutions
		by the Company. 20. Amendment to the Rules of Procedure for the Board of Directors' Meetings 21. Amendment to the Rules Governing the Scope of Powers of Independent Directors 22. Amendment to the Audit Committee Charter 23. Amendment to the Board of Directors Self-Evaluation or Peer Evaluation Regulations 24. Propose to appoint Director of Finance & Accounting Division, Alice Wang, as the chief corporate governance officer
2021/05/13	Board of directors	1. Propose to continue to provide a purchase guarantee to Yuta Health Co., Ltd., a company that is 100% owned by the Company. 2. Amendment of the cycle procedures of the Company's internal control system. 3. Propose to sign loan agreement with financial institution. 4. Establish the Company's Procedures for Ethical Management and Guidelines for Conduct. 5. Discussion on the managerial personal remuneration of the Company's 2020 Surplus Distribution. 6. Proposal for the raise of managerial personal salary.

(XII) Main content of dissenting opinions from directors or supervisors on record or stated in a written statement, with respect to a material resolution passed by the board of directors in the most recent year and up to the date of publication of the annual report: None.

(XIII) Resignation or dismissal of Company chairman, general manager, chief accountant, finance director, chief internal auditor, chief corporate governance officer and head of research and development in the most recent fiscal year up to the publication date of this report: None.

V. Information on fees to certified public accountants:

(I) Information of certified public accountants

Name of the firm of the certified public accountant	Name of the certified public accountant		Audit Period	Remarks
Ernst & Young, Taiwan	Fuh, Wen Fun	Lin, Li Huang	2020/01/01~2020/12/31	None

(II) Fees to certified public accountants: The Company discloses the professional fees of certified public accountants by fee each disclosure.

Unit: NT$1,000

Name of the firm of the certified public accountant	Name of the certified public accountant	Audit fee	Non-audit fee					Audit period	Remarks
			System design	Business registration	Human resources	Others	Subtotal		
Ernst & Young, Taiwan	Fuh, Wen Fun	6,905	—	200	—	502	702	2020/01/01~ 2020/12/31	Note
	Lin, Li Huang								

Note: A one-time expert consulting fee was incurred for overseas merger and acquisition.

(III) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: None.

(IV) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the reduction in the amount of audit fees, reduction percentage, and reason(s) shall be disclosed. None.

(V) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) shall be disclosed. None.

VI. Information on change of certified public accountant:

None.

VII. The company's chairman, general manager, or any managerial personnel in charge of finance or accounting matters who has, during the past year, held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm:

None.

VIII. Equity transfer or changes to equity pledge of a director, supervisor, managerial personnel, or shareholder with a stake of more than 10% during the most recent fiscal year and up to the date of publication of the annual report

(I) Share Equity Change Status for Directors, Supervisors, Managerial personnel, and Major Shareholders

Title	Name	2020		As of April 30, 2021	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman and President	Sheng Pao-Shi	694,677	—	—	—
Director	TA YA Venture Capital Co., Ltd.	522,837	—	(60,000)	—
	Representative: Shen Shang-Hung	—	—	—	—
Director and Major Shareholder	Bao Lei Co., Ltd.	3,122,333	1,200,000	71,000	1,450,000
	Representative: Chen Kuan-Pai	—	—	—	—
Director and President	Chen Shih-Min	156,886	—	(18,000)	—
Independent director	Lin Jui-Yi	—	—	—	—
Independent director	Lai Ming-Jung	—	—	—	—
Independent director	Lee Yi-Chin	—	—	—	—
Major shareholder	Rui Bao Xin Investment Co. Ltd.	1,310,822	690,000	(161,000)	—
	Representative: Sheng Pao-Shi	694,677	—	—	—
Managerial Personnel	Tom Cheng	47,379	—	(9,000)	—
Director, Information Technology Division	Raymond Lee	19,226	—	—	—
Director, Finance & Accounting Division	Alice Wang	27,664	—	(6,000)	—
Director, HR & General Affairs Division	Lynn Chuang	22,100	—	—	—
Director, Pharmaceuticals Division	Mickey Chen	—	—	—	—
Director, Manufacturing Division	Eric Chang	10,400	—	—	—

(II) Information where the counterparty in a transfer of equity interests by a director, supervisor, managerial personnel, or major shareholder is a related party: None.

(III) Information where the counterparty in a transfer of equity interests by a director, supervisor, managerial personnel, or major shareholder is a related party: None.

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

April 30, 2021; Unit: Shares

<table>
<tr><th rowspan="2">Name</th><th colspan="2">Personal shareholding</th><th colspan="2">Shares held by spouse and minor children</th><th colspan="2">Total shareholding by nominee arrangement</th><th colspan="2">Name and relationship of the Company's 10 largest shareholders, where among them any one is a related party as defined in Financial Accounting Standards Bulletin No.6., or a relative within the second degree of kinship of another.</th><th rowspan="2">Remarks</th></tr>
<tr><th>Number of Shares</th><th>Shareholding ratio</th><th>Number of Shares</th><th>Shareholding ratio</th><th>Number of Shares</th><th>Shareholding ratio</th><th>Title (or name)</th><th>Relationship</th></tr>
<tr><td rowspan="8">Bao Lei Co., Ltd.

Representative: Sheng Pao-Shi</td><td rowspan="4">10,423,431</td><td rowspan="4">19.26%</td><td rowspan="4">–</td><td rowspan="4">–</td><td rowspan="4">–</td><td rowspan="4">–</td><td>Rui Bao Xin Investment Co. Ltd.</td><td>Representative is the same person</td><td>–</td></tr>
<tr><td>Baoen International Co., Ltd.</td><td>Representative is the same person</td><td>–</td></tr>
<tr><td>Jia Xi International Co., Ltd.</td><td>Representative is the same person</td><td></td></tr>
<tr><td>Sheng Pao-Shi</td><td>Representative of Rui Bao Xin Investment Co. Ltd.</td><td>–</td></tr>
<tr><td rowspan="4">2,685,269</td><td rowspan="4">4.96%</td><td rowspan="4">–</td><td rowspan="4">–</td><td rowspan="4">11,892,714</td><td rowspan="4">21.98%</td><td>Bao Lei Co., Ltd.</td><td>Representative of Bao Lei Co., Ltd.</td><td>–</td></tr>
<tr><td>Rui Bao Xin Investment Co. Ltd.</td><td>Representative of Rui Bao Xin Investment Co. Ltd.</td><td>–</td></tr>
<tr><td>Baoen International Co., Ltd.</td><td>Representative of Baoen International Co., Ltd.</td><td></td></tr>
<tr><td>Jia Xi International Co., Ltd.</td><td>Representative of Jia Xi International Co., Ltd.</td><td>–</td></tr>
<tr><td rowspan="6">Rui Bao Xin Investment Co. Ltd.

Representative: Sheng Pao-Shi</td><td rowspan="4">7,052,562</td><td rowspan="4">13.03%</td><td rowspan="4">–</td><td rowspan="4">–</td><td rowspan="4">–</td><td rowspan="4">–</td><td>Bao Lei Co., Ltd.</td><td>Representative is the same person</td><td>–</td></tr>
<tr><td>Baoen International Co., Ltd.</td><td>Representative is the same person</td><td>–</td></tr>
<tr><td>Jia Xi International Co., Ltd.</td><td>Representative is the same person</td><td></td></tr>
<tr><td>Sheng Pao-Shi</td><td>Representative of Bao Lei Co., Ltd.</td><td>–</td></tr>
<tr><td rowspan="2">2,685,269</td><td rowspan="2">4.96%</td><td rowspan="2">–</td><td rowspan="2">–</td><td rowspan="2">11,892,714</td><td rowspan="2">21.98%</td><td>Bao Lei Co., Ltd.</td><td>Representative of Bao Lei Co., Ltd.</td><td>–</td></tr>
<tr><td>Rui Bao Xin Investment Co.</td><td>Representative of Rui Bao Xin</td><td>–</td></tr>
</table>

Name	Personal shareholding		Shares held by spouse and minor children		Total shareholding by nominee arrangement		Name and relationship of the Company's 10 largest shareholders, where among them any one is a related party as defined in Financial Accounting Standards Bulletin No.6., or a relative within the second degree of kinship of another.		Remarks
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Title (or name)	Relationship	
							Ltd.	Investment Co. Ltd.	
							Baoen International Co., Ltd.	Representative of Baoen International Co., Ltd.	
							Jia Xi International Co., Ltd.	Representative of Jia Xi International Co., Ltd.	–
Sheng Pao-Shi	2,685,269	4.96%	–	–	11,892,714	21.98%	Bao Lei Co., Ltd.	Representative of Bao Lei Co., Ltd.	–
							Rui Bao Xin Investment Co. Ltd.	Representative of Rui Bao Xin Investment Co. Ltd.	–
							Baoen International Co., Ltd.	Representative of Baoen International Co., Ltd.	
							Jia Xi International Co., Ltd.	Representative of Jia Xi International Co., Ltd.	–
TA YA Venture Capital Co., Ltd.	2,397,424	4.43	–	–	–	–	None	None	–
Representative: Shen Shang-Hung	–	–	–	–	–	–	None	None	–
Fubon Life Insurance Co., Ltd.	2,135,000	3.95%	–	–	–	–	None	None	–
Schotten Limited	1,995,085	3.69%	–	–	–	–	None	None	–
Representative: Wong Shing Yi	–	–	–	–	–	–	None	None	–
Baoen International Co., Ltd. Representative: Sheng Pao-Shi	844,953	1.56%	–	–	–	–	Bao Lei Co., Ltd.	Representative is the same person	–
							Rui Bao Xin Investment Co. Ltd.	Representative is the same person	–
							Jia Xi International Co., Ltd.	Representative is the same person	
							Sheng Pao-Shi	Representative of Baoen	–

Name	Personal shareholding		Shares held by spouse and minor children		Total shareholding by nominee arrangement		Name and relationship of the Company's 10 largest shareholders, where among them any one is a related party as defined in Financial Accounting Standards Bulletin No.6., or a relative within the second degree of kinship of another.		Remarks
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Title (or name)	Relationship	
								International Co., Ltd.	
	2,685,269	4.96%	—	—	11,892,714	21.98%	Bao Lei Co., Ltd.	Representative of Bao Lei Co., Ltd.	—
							Rui Bao Xin Investment Co. Ltd.	Representative of Rui Bao Xin Investment Co. Ltd.	—
							Baoen International Co., Ltd.	Representative of Baoen International Co., Ltd.	
							Jia Xi International Co., Ltd.	Representative of Jia Xi International Co., Ltd.	—
Chen Shih-Min	652,624	1.21%	—	—	—	—	None	None	—
Citibank Taiwan Ltd in custody for client of Nomura International (Hong Kong) Limited, Nomura International Co., Ltd.	643,100	1.19%	—	—	—	—	None	None	—
Jia Xi International Co., Ltd. Representative: Sheng Pao-Shi	624,330	1.15%	—	—	—	—	Bao Lei Co., Ltd.	Representative is the same person	—
							Rui Bao Xin Investment Co. Ltd.	Representative is the same person	
							Baoen International Co., Ltd.	Representative is the same person	
							Sheng Pao-Shi	Representative of Jia Xi International Co., Ltd.	
	2,685,269	4.96%	—	—	11,892,714	21.98%	Bao Lei Co., Ltd.	Representative of Bao Lei Co., Ltd.	—
							Rui Bao Xin Investment Co. Ltd.	Representative of Rui Bao Xin Investment Co. Ltd.	—
							Baoen International Co.,	Representative of Baoen	

Name	Personal shareholding		Shares held by spouse and minor children		Total shareholding by nominee arrangement		Name and relationship of the Company's 10 largest shareholders, where among them any one is a related party as defined in Financial Accounting Standards Bulletin No.6., or a relative within the second degree of kinship of another.		Remarks
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Title (or name)	Relationship	
							Ltd.	International Co., Ltd.	
							Jia Xi International Co., Ltd.	Representative of Jia Xi International Co., Ltd.	—

X. The number of shares held by the Company, the Company's directors, supervisors, managerial personnel, and the number of shares invested in a single company which are held by the entities directly or indirectly controlled by the company, and the consolidated shareholding percentage.

December 31, 2020; Unit: Shares; %

Investee company (Note)	Investment by the Company		Investments by directors, supervisors, managerial personnel and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Union Chemical & Pharmaceutical Co., Ltd.	3,000,000	100%	—	—	3,000,000	100%
Yuta Health	8,000,000	100%	—	—	8,000,000	100%
Bora Pharmaceutical Laboratories	125,000,000	100%	—	—	125,000,000	100%
Bora Pharmaceuticals USA Inc.	500,000	100%	—	—	500,000	100%
Bora Pharmaceuticals Services Inc.	100,000,000	50%	100,000,000	50%	200,000,000	100%

Note: The Company's investment using the equity method.

D. Fundraising Conditions

I. Capital and Shares

(I) Source of Capital

1. Capital formation

Unit: Thousand share; NTD thousands

Year/Month	Issuing Price (NT$)	Authorized Capital		Paid-Up Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Subscriptions paid with property other than cash	Others
2007.06	10	200	2,000	200	2,000	Recruitment and Establishment	－	Note 1
2010.11	10	1,000	10,000	1,000	10,000	Cash capital increase of NTD8,000	－	Note 2
2012.12	10	4,000	40,000	4,000	40,000	Cash capital increase of NTD20,281	NTD9,719 of debentures against stock dividends	Note 3:
2013.02	10	12,400	124,000	12,400	124,000	Cash capital increase of NTD84,000	－	Note 4:
2013.03	12	25,000	250,000	14,400	144,000	－	NTD20,000 of debentures against stock dividends	Note 5
2013.06	35	25,000	250,000	18,850	188,500	Cash capital increase of NTD44,500	－	Note 6
2014.01	14	25,000	250,000	20,850	208,500	Cash capital increase of NTD20,000	－	Note 7
2014.07	70	25,000	250,000	22,450	224,500	Cash capital increase of NTD16,000	－	Note 8
2016.08	10	25,000	250,000	23,348	233,480	Earned surplus turned capital increase of NTD8,980	－	Note 9
2017.04	32.5	35,000	350,000	26,462	264,620	Cash capital increase of NTD31,140	－	Note 10
2018.08	80	35,000	350,000	29,462	294,620	Cash capital increase of NTD30,000	－	Note 11
2019.08	10	60,000	600,000	38,409	384,091	Earned surplus turned capital increase of NTD88,471 CB conversion to common stock of NTD1,000	－	Note 12
2019.11	10	60,000	600,000	39,427	394,272	CB conversion to common stock of NTD10,181	－	Note 13

Year/Month	Issuing Price (NT$)	Authorized Capital		Paid-Up Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Subscriptions paid with property other than cash	Others
2020.03	120	60,000	600,000	41,627	416,272	Cash capital increase of NTD22,000	—	Note 14
2020.12	10	60,000	600,000	54.115	541,154	Earned surplus turned capital increase of NTD124,882	—	Note 15

Note 1: 2007.06.12 Letter No. Fujianshangzi 09685784100 approved by the government
Note 2: 2010.11.17 Letter No. Fuchanshangzi 09989766200 approved by the government
Note 3: 2012.12.25 Letter No. Fuchanshangzi 10190606710 approved by the government
Note 4: 2013.02.01 Letter No. Fuchanshangzi 10281026900 approved by the government
Note 5: 2014.06.13 Letter No. Fuchanyeshangzi 10384749500 approved by the government
Note 6: 2013.06.03 Letter No. Fuchanyeshangzi 10283499730 approved by the government
Note 7: 2014.01.27 Letter No. Fuchanyeshangzi 10380450410 approved by the government
Note 8: 2014.07.10 Letter No. Fuchanyeshangzi 10385703800 approved by the government
Note 9: 2016.08.12 Letter No. Fuchanyeshangzi 10590942610 approved by the government
Note 10: 2017.05.05 Letter No. Fuchanyeshangzi 10653541210 approved by the government
Note 11: 2018.08.23 Letter No. Fuchanyeshangzi 10752480520 approved by the government
Note 12: 2019.08.21 Letter No. Fuchanyeshangzi 10853082710 approved by the government
Note 13: 2019.11.25 Letter No. Fuchanyeshangzi 10856445400 approved by the government
Note 14: 2020.03.04 Letter No. Fuchanyeshangzi 10946656210 approved by the government
Note 15: 2020.12.04 Letter No. Jingshoushangzi 10901224860 approved by the government

2. Total number of issued shares

April 30, 2021; Unit: shares

Type of Shares	Authorized Capital			Remarks
	Shares issued and outstanding	Unissued shares	Total	
Ordinary shares	54,115,424	5,884,576	60,000,000	The Company's shares are listed over the counter.

3. Information for shelf registration: None.

(II) Shareholder Structure

April 30, 2021 Unit: Person; shares

Shareholder Structure / Quantity	Government Agency	Financial Institution	Other Institutions	Individual Investors	Foreign Institutions and Foreigners	Total
Number of people	0	5	28	5,092	31	5,156
Number of Shares Held	0	2,528,000	22,761,566	23,851,710	4,974,148	54,115,424
Shareholding Percentage	0.00%	4.67%	42.06%	44.08%	9.19%	100.00%

(III) Shareholding Distribution Status

April 30, 2021 Unit: Person; shares

Shareholding Classification	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1 to 999	1,599	384,398	0.71%
1,000 to 5,000	2,813	5,472,308	10.11%
5,001 to 10,000	329	2,419,838	4.47%
10,001 to 15,000	127	1,562,100	2.89%
15,001 to 20,000	76	1,360,127	2.51%
20,001 to 30,000	69	1,705,645	3.15%
30,001 to 40,000	36	1,266,523	2.34%
40,001 to 50,000	21	947,185	1.75%
50,001 to 100,000	43	2,903,547	5.37%
100,001 to 200,000	26	3,888,777	7.19%
200,001 to 400,000	4	987,803	1.83%
400,001 to 600,000	2	1,150,895	2.13%
600,001 to 800,000	4	2,532,554	4.68%
800,001 to 1,000,000	1	844,953	1.56%
More than 1,000,001	6	26,688,771	49.32%
Total	5,156	54,115,424	100.00%

Note: Par value of $10 per share, the Company has not issued preferred shares.

(IV) List of Main Shareholders

April 30, 2021 Unit: shares

Shares / Name of the Main Shareholder	Number of Shares Held	Shareholding Percentage
Bao Lei Co., Ltd.	10,423,431	19.26%

Name of the Main Shareholder \ Shares	Number of Shares Held	Shareholding Percentage
Rui Bao Xin Investment Co. Ltd.	7,052,562	13.03%
Sheng Pao-Shi	2,685,269	4.96%
TA YA Venture Capital Co., Ltd.	2,397,424	4.43%
Fubon Life Insurance Co., Ltd.	2,135,000	3.95%
Schotten Limited	1,995,085	3.69%
Bao En International Co., Ltd.	844,953	1.56%
Chen Shih-Min	652,624	1.21%
Citi (Taiwan) Commercial Bank is entrusted with the custody of Nomura International Corporation, a client of Nomura International (Hong Kong) Limited.	643,100	1.19%
Jia Xi International Co., Ltd.	624,330	1.15%

(V) Share price, net worth, earnings, dividends and related information per share for the last two years

Unit: NTD; Thousands of shares

Item \ Year			2019	2020	Current year up to May 28, 2021
Market price per share	Highest		227.00	247.00	345.00
	Lowest		110.00	108.00	150.50
	Average		155.80	173.16	232.69
Net value per share	Before distribution		41.94	45.55	52.00
	After distribution		39.83	Note 1	Note 1
Earnings per share	Weighted average shares		50,193	53,755	54,154
	Earnings per share		6.08	10.76	6.18
Dividends per share	Cash dividends		2.00	2.00	—
	Stock dividends	Dividend form Retained Earnings	3.00	2.50	—
		Dividend form Capital Surplus	—	—	—
	Cumulative undistributed dividends		—	—	—
Return on investment analysis	PE ratio		23.97	15.19	34.63
	Price-dividend ratio		72.86	Note 1	—
	Cash dividend yield		1.37	Note 1	—

Note 1: Subject to the approval of the shareholders' meeting.

(VI) Company's Dividend Policy and Implementation

1. Dividend policy established in the Articles of Incorporation

The Company’s profit earned in a financial year shall be subject to employee remuneration of no less than 2% and director/supervisor remuneration of no more than 5%. However, profits must first be taken to offset cumulative losses if any. The distribution of employees' remuneration and directors' remuneration shall be made through a board of directors’ resolution with at least two-thirds of directors in attendance and a majority of the directors present, and reported to the shareholders' meeting.

If the Board of Directors resolves to distribute employee remuneration in shares or cash to employees, then the said employees shall include those who meet certain criteria, with the relevant guidelines established by the Board of Directors.

Any earnings from the Company's annual accounts are distributed in the following order:

(1) Taxes and contributions.
(2) To make up for prior years' losses.
(3) 10% of the legal reserve is set aside as legal reserve (except when the legal reserve has reached the total capital amount).
(4) The balance shall then be allocated or reversed as special reserve in accordance with regulatory requirements.
(5) The Board of Directors shall draft the proposal for shareholder dividend allocation based on any remaining profit, along with accumulated undistributed earnings, and submit the draft to the shareholder's meeting.

The Company's dividend policy is based on a residual dividend policy.Taking into consideration the Company's current and future investment environment, capital requirements, domestic and foreign competition, and capital budget, the Board of Directors shall prepare an annual distribution plan in accordance with law and submit it to the shareholders' meeting for resolution. 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.

2. Current year dividend distribution proposal to the shareholders meeting

The distribution of earnings for fiscal 2020 has been approved by the Board of Directors at its meeting on March 30, 2021, pending the resolution of the shareholders' meeting on June 28, 2021. The distribution is as follows:

Unit: NTD

Item	Amount	
	Subtotal	Total
Opening balance for fiscal 2020		293,895,550
Plus: 2020 Net income after tax		578,425,891
Accumulated balance available for distribution		872,321,441

Less: Contribution to the 10% legal reserve	(57,842,589)	
Plus: Contribution to special reserve	171,408	
Distributable earnings for the period		814,650,260
Distribution items		
Dividend to Shareholders – Stock (NTD2.5 per share distribution)	(135,288,560)	
Dividend to Shareholders – Cash (NTD2 per share distribution)	(108,230,848)	
Undistributed earnings at the end of the period		571,130,852

Note 1: Legal reserve NTD578,425,891 x 10%=NTD57,842,589

Note 2: The special reserve is set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act and is intended to be transferred back to retained earnings.

Note 3: Ex-dividend shares: 54,115,424 sharesEffects of the Stock Dividends Proposed by the Shareholders' Meeting on the Company's Business Performance and Earnings Per Share

(VII) The Company's dividend distribution proposal for 2020 (NT$2 cash dividend and NT$2.5 stock dividend per share) has been approved by the Board of Directors on March 30, 2021, and is subject to approval by the shareholders at the annual general meeting on June 28, 2021. As the Company's existing business continue to grow with excellent sales and profits, the placement should not have a significant impact on the Company's operating results and earnings per share.

(VIII) Employee bonus and remuneration for directors and supervisors

1. The percentage or scope of employee bonuses as well as directors' and supervisors' remuneration as set forth in the Articles of Incorporation.

The Company’s profit earned in a financial year shall be subject to employee remuneration of no less than 2% and director/supervisor remuneration of no more than 5%. However, profits must first be taken to offset cumulative losses if any. Employees' remuneration and directors' remuneration distribution shall be carried out via a resolution of the board of directors with two-thirds of directors in attendance and a majority of the directors present, and reported to the shareholders' meeting; employees' remuneration shall be distributed in shares or cash by resolution of the board of directors, and distribution shall include employees of subsidiary companies who meet certain criteria with the relevant rules established by the board of directors.

2. The basis for estimating the amount of bonuses to employees and remuneration to directors and supervisors, the basis for calculating the number of shares to be allotted as stock bonuses, the actual allotment of shares for the period, as well as the accounting treatment for the difference between the estimated amount and the estimated amount:

If the Board of Directors resolved at the end of last year to distribute employees' bonuses and directors' remuneration, they are recognized as expenses in the current year. If there is any change in the amount of bonuses and directors' remuneration at the date of the shareholders' meeting, it is adjusted according to the change in accounting estimate and recorded as profit or loss in the period of distribution.

3. Remuneration proposals passed by the board of directors

(1) The amount of employees' remuneration and directors' and supervisors' remuneration distributed in cash or stock. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses shall be disclosed. Based on the Company's profitability, the amount of employees' remuneration and directors' and supervisors' remuneration are estimated to be NTD11,969 thousand and NTD5,800 thousand respectively, for 2020. The aforementioned amounts are included in salaries and wages; the Company's board of directors resolved on March 30, 2021 to pay employees' remuneration and directors' and supervisors' remuneration in cash amounting to NTD14,461 thousand and NTD8,676 thousand respectively. The difference between the above amount and the expense recognized in fiscal 2020 is mainly an estimation difference, and the difference will be recognized as profit or loss in fiscal 2021.

(2) The amount of employee remuneration distributed in stock as a percentage of total net income after tax and total employee remuneration for the period. None.

4. Discrepancies, if any, between actual distribution of remuneration for employee, directors, and supervisors (including the number of shares distributed, amount and stock price) and the recognized remuneration for employees, directors, and supervisors, and disclosure of the differences, reasons and responses: On March 9, 2020, the Board of Directors resolved to pay employees' remuneration and directors' and supervisors' remuneration in cash of NTD6,909 thousand and NTD5,000 thousand respectively. The differences of NTD268 thousand and NTD1,526 thousand between the aforementioned employee remuneration and directors' and supervisors' compensation, respectively, and the expenses recognized in fiscal 2019 are mainly estimation differences, which will be recognized as profit or loss in fiscal 2020.

(IX) Status of Company Share Buyback:

1. Completed:

Number of Buybacks	3rd	4th
Buyback purpose	Transfer to employees	Transfer to employees
Buyback period	2017/08/17~2017/10/06	2017/11/16~2017/12/20
Buyback interval price	NTD30 - 50	NTD30 - 50
Type and number of shares bought back	263,000 Ordinary shares	103,000 Ordinary shares
Amount of shares bought back	NTD9,163,773	NTD3,380,325
Average buyback price per share	34.84	32.82
Buyback volume as a percentage of scheduled buyback volume (%)	52.60%	51.50%
Number of shares cancelled and transferred	263,000 shares	103,000 shares
Cumulative number of shares held by the Company	—	—

Ratio of the cumulative number of shares held by the Company to the total number of shares in issue (%)	—	—

2. Still in execution: None.

II. Corporate bonds (including overseas corporate bonds) situation:

Item	First domestic unsecured convertible bond
Release Date	July 6, 2018
Par value	In multiples of NT$100,000
Issue and transaction venue	Republic of China
Issuing Price	Full issue at par value
Total amount	NT$100 million
Interest rate	Coupon rate 0%
Conversion price at issuance	NTD120
Latest conversion price	NTD86.8
Period	Three-year maturity date. July 6, 2021
Reason for raising	Replenishment of working capital and repayment of bank loans
Guarantee agency	N/A
Trustee	Bank SinoPac Co., Ltd. Trust Department
Underwriting institution	Taishin Securities Co., Ltd.
Reimbursement method	The convertible bonds are repayable in cash at maturity, except for bonds that are converted, sold, redeemed or repossessed in accordance with the conversion method.
Terms of redemption or early settlement	Issuance and conversion method
Restrictive Provisions	Issuance and conversion method
Outstanding principal	—
Amount of common stock converted	Fully converted to common stock, 1,118,133 common stock converted

III. Issuance of Preferred Stock:

None.

IV. Issuance of Global Depositary Receipts (GDR):

None.

V. Exercise of Employee Stock Option Plan (ESOP):

(I) The Company's outstanding employee stock options should disclose the status of processing and the impact on shareholders' equity as of the date of printing of the annual report:

Mar 31, 2021

Type of Employee Stock Option Plan (ESOP):	The first employee stock option certificate for 2018	The first employee stock option certificate for 2020
Effective Date of Filing	2018/07/13	2020/11/04
Date of Issue (processing)	2019/06/04	2020/12/29
Number of units issued	1,000 units, each unit can subscribe 1,000 shares	275 units, each unit can subscribe 1,000 shares
Number of shares issued as a percentage of the total number of shares in issue	1.85%	0.51%
Subscription Period	2019/06/04~2022/06/03	2020/12/29~2025/12/28
Performance Method	Issuance of new shares	Issuance of new shares
Restricted period and rate (%)	The stock option holder shall exercise the stock option right in accordance with the following schedule 2 years from the expiry date of the employee stock option certificate being granted: Second year (2021/06/04): 100%	The stock option holder shall exercise the stock option right in accordance with the following schedule 2 years from the expiry date of the employee stock option certificate being granted: Second year (2022/12/29): 30% Third year (2023/12/29): 60% Forth year (2024/12/29): 100%
Number of executed shares acquired	—	—
Value of executed stock options	—	—
Number of outstanding stock options	920,000 shares (Note 1)	275,000 shares
Subscription price per share for unexecuted stock options	NTD81.5 (Note 2)	NTD197
Number of outstanding stock options as a percentage of the total number of shares in issue (%)	1.70%	0.51%
Effect on shareholders' equity	The Company aims to attract and retain the best talent it requires, as well as to motivate	The Company aims to attract and retain the best talent it requires, as well as to motivate and enhance

	and enhance employees' motivation and sense of belonging to the Company in order to create mutual benefits for the Company and its shareholders, which will have a positive impact on shareholders' equity.	employees' motivation and sense of belonging to the Company in order to create mutual benefits for the Company and its shareholders, which will have a positive impact on shareholders' equity.

Note 1: The number of unexecuted stock options is 1,000 units, of which 80 units are forfeited. The remaining 920 units are subscribed for 920,000 shares in total.

Note 2: After the issuance of the employee stock options, except for the issuance of various securities with common stock conversion rights or stock options for the issuance of common shares or the issuance of new shares as a result of employee bonuses, in the event of changes in the Company's common stock (including private placements, cash capital increase, capital increase from earnings, capital increase from capital surplus, corporate mergers, corporate splits, transfer of shares of other companies, stock splits, and cash capital increase for the issuance of overseas depositary receipts), the Company will make adjustments in accordance with the Regulations Governing the Issuance of Employee Stock Options for the First Time in 2018.

(II) The names of the managers and the top ten employees who have acquired employee stock options as of the date of publication of the annual report, and the acquisition and subscription status of the stock options.

Unit: NTD thousands;

	Title	Name	Number of stock options acquired	Number of stock options acquired to the total number of shares in issue	Executed				Outstanding			
					Number of stock options	Share Subscription price	Amount of stock subscription	Number of stock options executed to the total number of shares in issue	Number of stock options	Share Subscription price	Amount of stock subscription	Number of stock options executed to the total number of shares in issue
Managerial Personnel	General Manager	Sheng Pao-Shi	880 thousand shares	1.63%	–	–	–	–	600 thousand shares 245 thousand shares	NTD81.5 NTD197	NTD48,900 thousand NTD48,265 thousand	880 thousand shares
	Vice President	Chen Shih-Min										
	Director	Alice Wang										
	Director	Lin Shi-juan										
	Director	Raymond Lee										
	Director	Lynn Chuang										
	Director	Eric Chang										
	Bora Pharmaceutical Laboratories Inc General Manager	Tom Cheng										
Employees	Director, Bora Pharmaceutical	Chang Suirong	240 thousand shares	0.44%	–	–	–	–	190 thousand shares 30 thousand shares	NTD81.5 NTD197	NTD15,485 thousand NTD5,910 thousand	240 thousand shares
	Director, Yuta Health	Yu Qian Hui										
	Senior Manager	Liu Chuanhua										
	Manager	Chen Shixian										
	Manager	Hsu Pi-Chiang										
	Manager	Zheng Yongru										
	Manager	Zhou Bohong										
	Manager	Chiu Yiming										

	Title	Name	Number of stock options acquired	Number of stock options acquired to the total number of shares in issue	Executed				Outstanding			
					Number of stock options	Share Subscription price	Amount of stock subscription	Number of stock options executed to the total number of shares in issue	Number of stock options	Share Subscription price	Amount of stock subscription	Number of stock options executed to the total number of shares in issue
	Manager	Chen Yu An										
	Bora Pharmaceutical Laboratories Sales General Manager	LOUIS JEROME WEBER										

VI. Restriction on Employees' right to new stock:

None.

VII. Mergers, Acquisitions or Issuance of New Shares for Acquisition of Shares of Other Companies:

None.

VIII. Capital Utilization Plan and Its Implementation:

None.

As of the quarter preceding the printing date of the annual report, there were no previous issuances or private placements of marketable securities that had not been completed, or that had been completed within the last three years but with no visible benefits yet.

E. Business Overview

I. Business Activities

(I) Business scope

1. Main contents of the Company's business

C802041 Western pharmaceutical manufacturing industry
F108021 Western pharmaceutical wholesale industry
F108031 Medical equipment wholesale industry
F107070 Animal use drugs wholesale industry
F113030 Precision instruments wholesale industry
F113060 Weight and Measuring equipment wholesale industry
F108040 Cosmetic wholesale industry
F207070 Animal use drugs retail industry
F203010 Food and Beverage retail industry
I102010 Investment Consulting industry
I103060 Management Consulting industry
F401010 International trade industry
H703100 Real estate rental and leasing industry
ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

2. Revenue breakdown of major products

Unit: NTD thousands; %

Item \ Year	2019		2020	
	Amount	%	Amount	%
Western Pharmaceuticals	209,250	13.68	240,399	13.35
Health Care Products	175,652	11.49	213,758	11.87
Income from CDMO	1,144,314	74.83	1,345,413	74.76
Total	1,529,216	100.00	1,799,570	100.00

3. Current product/service lineup:

A. Sales product categories and items:

The Company produces and sells solid dosage forms such as tablets and capsules in Taiwan; liquid and semi-solid dosage forms, as well as solid dosage forms in North America and Canada. Products sold include various dosage forms. In addition, the Company sells its own proprietary as well as distributed health care products.

B. Sales target audience:

(A) We sell our products directly to clinics, pharmacies, pharmacy chains and drug stores.
(B) We sell through distributors to medical centers, corporate hospitals, public hospitals, and regional and district hospitals.
(C) We accept products on commission and sell to direct distributors.

4. New products (services) in the pipeline for development

A. R&D direction:

In order to enrich the existing product line, the Company and its subsidiaries are actively engaged in the research and development of their own pharmaceutical products, and have invested in the improvement of new dosage forms of small molecules to increase the convenience of use of pharmaceutical products.In addition, the Company chooses products that are oriented to meet market demand, and make our products more competitive with high quality demands.

The main new products planned for development are as follows:
(A) New dosage forms
(B) Special generic drug products development
(C) Innovative drug delivery platforms development
(D) Domestic new drugs with novel components (NCE-2)

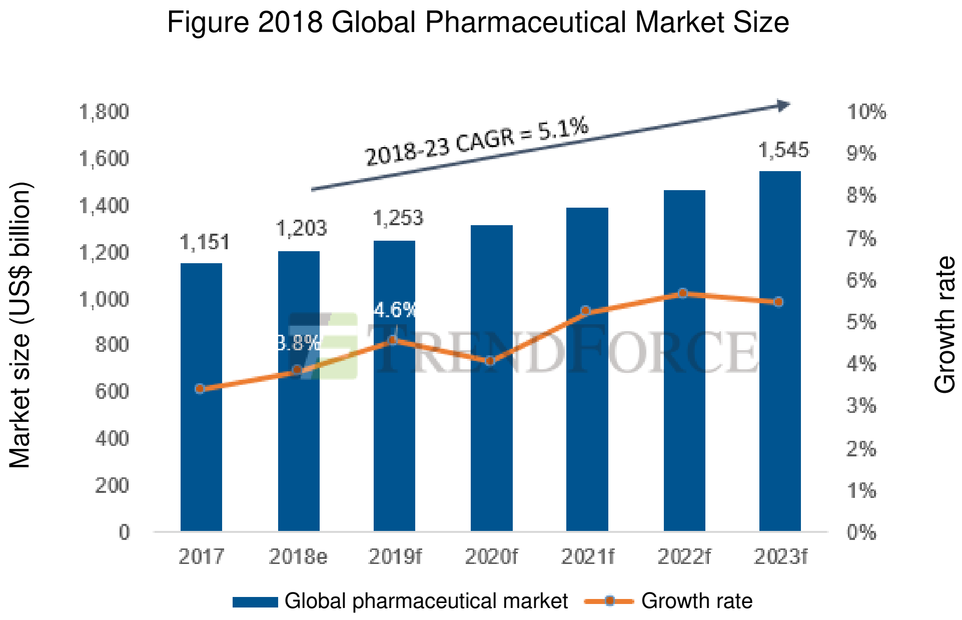
B. Promotion of important research projects:

The Company and its subsidiaries have set up a drug manufacturing research and development center, while continuing to bring in advanced equipment and strengthen its research and development team. Short-term projects mainly focus on “specialty generic drugs” and NCE-2. The Company concurrently develops self-branded drugs and accepts external contracting, while accumulating research and development capabilities and building a comprehensive development chain from assessment to mass production. Mid-term projects focus on “new dosage forms” which have high development threshold and duration but high market value. Long-term projects focus on developing time-consuming, high-risk, technology and hardware specific technology platforms that satisfy "unmet medical needs" and cater to the “innovative drug delivery platform” with long-term economic benefits and market differentiation.

(II) Industry overview

1. Current state and development of the industry

Global Pharmaceutical Market Size 2018~2023



Source: TrendForce, 2018/12

According to Fitch Solutions' statistics, the global pharmaceuticals market size will be approximately USD 1.2 trillion in 2019, a 3.6% growth from 2018, and is expected to grow to approximately USD 1.55 trillion in 2023, with a compound annual growth rate (CAGR) of 5.1% from 2018 to 2023. Amongst them, the market size of patent drugs (originator drugs) is estimated to be approximately USD 766.5 billion in 2018, with an annual growth rate of approximately 5.8%; for generic drugs, the market size is estimated to be USD 320.2 billion in 2018, with an annual growth rate of approximately 1.6%.

Based on market segmentation, developed countries and emerging countries accounted for 67.8% and 22.0% of the global drug market in 2016 respectively, with the U.S. still maintaining a high proportion, accounting for 41.8% of the global drug market; based on the analysis as shown in [Figure-1], the U.S. and emerging countries are expected to grow at a higher rate than the global market and will become the key markets in the future. In addition, EvaluatePharma's June 2017 report on the global drug outlook till 2022 also shows that the global prescription drug market will also continue to grow at 6.5% per year (CAGR) and is estimated to exceed USD 1 trillion by 2022, as shown in [Figure-2]. Relevant studies and outlook reports have given the drug market positive growth ratings.

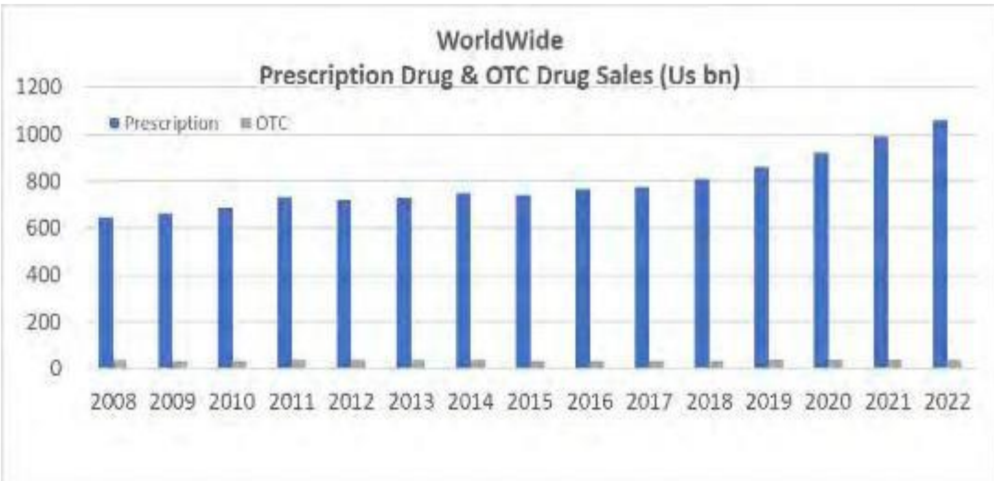
Figure-1 2016-2021 Global Market Outlook of Different Drug Types

Exhibit 4: Key Region and Country Spending and Growth to 2021

	2016 US$Bn	2011–2016 CAGR Constant US$	2021 US$Bn	2016–2021 CAGR Constant US$
Global	**1,104.6**	**6.2%**	**1,455–1,485**	**4–7%**
Developed	**749.3**	**5.4%**	**975–1,005**	**4–7%**
U.S.	461.7	6.9%	645–675	6–9%
EU5	151.8	3.9%	170–200	1–4%
Germany	43.1	4.4%	49–59	2–5%
U.K.	27.0	6.7%	34–38	4–7%
Italy	28.8	5.2%	34–38	1–4%
France	32.1	0.7%	33–37	(-1)–2%
Spain	20.7	3.2%	23–27	1–4%
Japan	90.1	2.0%	90–94	(-1)–2%
Canada	19.3	3.0%	27–31	2–5%
South Korea	13.0	2.9%	14–18	3–6%
Australia	13.5	6.3%	13–16	0–3%
Pharmerging	**242.9**	**10.3%**	**315–345**	**6–9%**
China	116.7	12.4%	140–170	5–8%
Tier 2	55.8	11.4%	75–85	8–11%
Brazil	26.9	11.3%	32–36	7–10%
India	17.4	12.1%	26–30	10–13%
Russia	11.6	10.5%	14–18	5–8%
Tier 3	61.5	6.5%	82–86	6–9%
Rest of World	**112.4**	**3.5%**	**130–160**	**3–6%**

Data source: IMS Market Prognosis, Oct 2016. Note: Emerging countries Tier 1: China; Tier II: Brazil, Russia, India; Tier III: Poland, Argentina, Turkey, Mexico, Venezuela, Romania, Saudi Arabia, Colombia, Vietnam, South Africa, Algeria, Vietnam, Thailand, Indonesia, Egypt, Pakistan, Nigeria and Ukraine

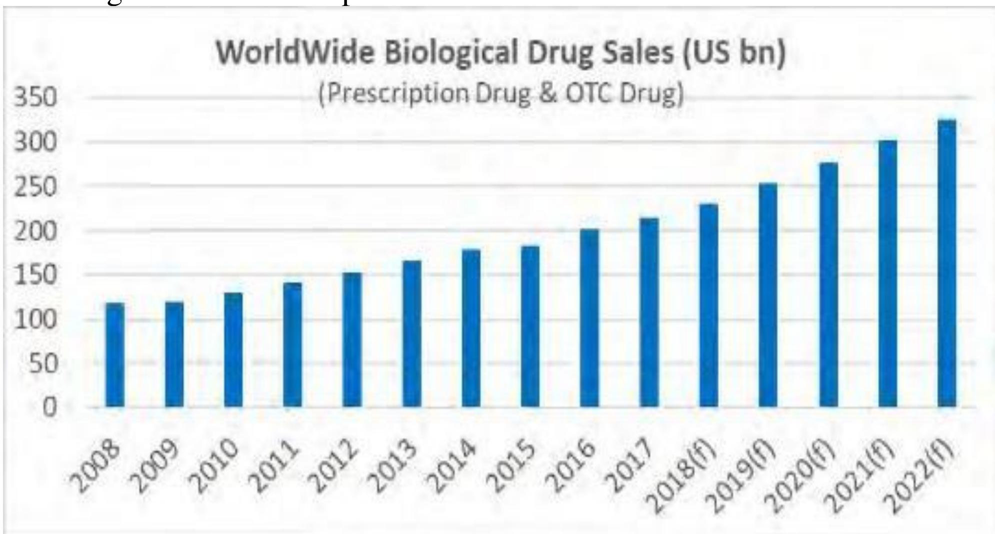
Figure-2 Global Prescription and Over-the-Counter (OTC) Drugs Market Outlook 2017-2022



Data source: Evaluate, May 2017

Amongst steadily developing drug markets, the biopharmaceutical market stands out as the most prominent. Biopharmaceuticals have been developed since the end of the last century, and related research and manufacturing technologies have gradually matured. According to EvaluatePharm's analysis in 2017, 25% of the global prescription drug market in 2016 was composed of biopharmaceuticals (about exceed USD 200 billion), mainly recombinant protein drugs and monoclonal antibodies. The increase in biopharmaceuticals on the market will drive the growth of corresponding sales, which is estimated to exceed USD 300 billion in 2022, as shown in [Figure-3].

Figure-3 Global Biopharmaceutical Market Outlook 2016-2022



Data source: Evaluate, May 2017

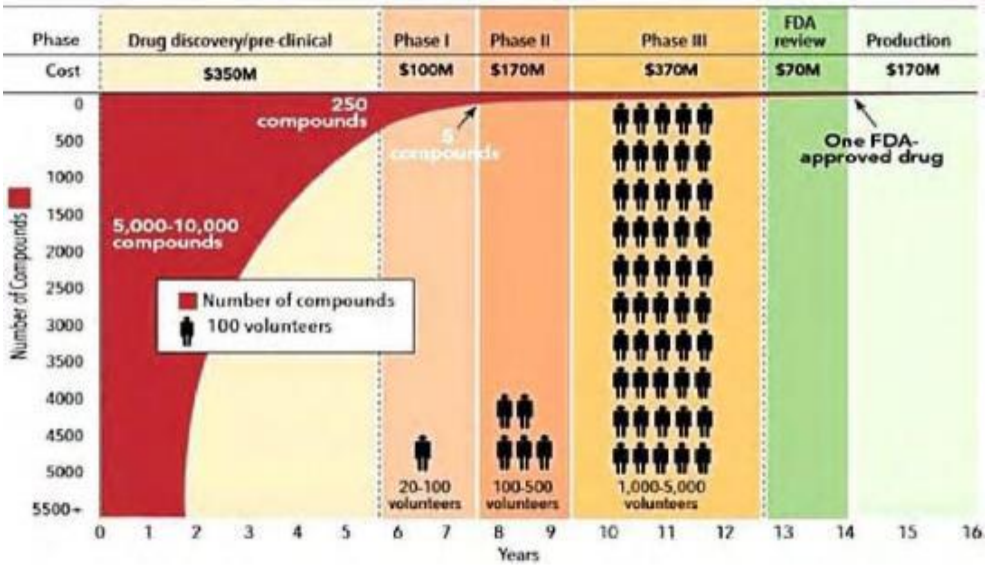
The aforementioned studies show that the outlook for the pharmaceutical market is one of steady growth. The Company's pharmaceutical CDMO and Western pharmaceutical sales, which involve both new drugs/new class drugs and generic drugs (small molecules), are broken down as follows:

① New drugs market

New drug development requires a significant investment of money and time. In recent years, the time required for research and development of new drugs is long with a low success rate, requiring more than 10 years from initial research to the successful marketing of drugs [Figure-4]. In recent years, pharmaceutical companies developing niche generic drugs have been actively engaging in the strategy of replacing patented drug. Once the patent of a new drug expires and loses the protection of having exclusive rights, the high-margin drug is often replaced by the generic drug within one to two years. This has led some to believe that there is a delay in the development of new drugs. In fact, because of the high value-added and knowledge-oriented industries created by new drugs, the new drug development market continues to grow and countries continue to increase their investment in new drug development. The number of new drugs approved by the US FDA over the years [Figure-5] shows the steady growth of the new drug development market.

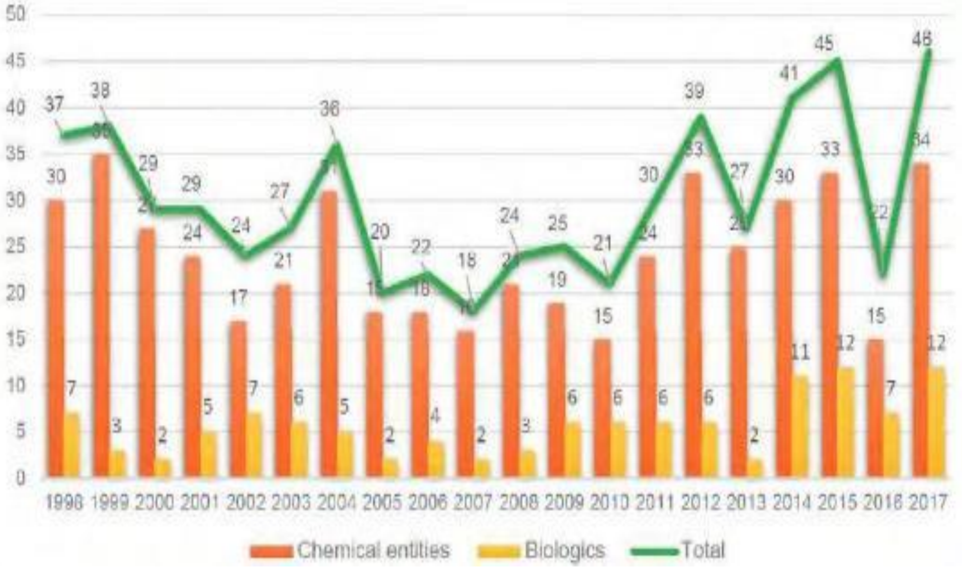
The structure of the pharmaceutical industry has begun to change gradually, evolving into a model of shared benefits, shared risks, and joint development, that is, CRO (Contract Research Organization), CMO (Contract Manufacture Organization), and CDMO (Contract Development Manufacture Organization). In addition, pharmaceutical policies have been moving toward a patient-friendly direction. The United States, a major market for pharmaceutical, have focused on encouraging new drug development and promoting price suppression. The number of new drug approvals by the US FDA in 2017 was the highest ever, shortening the time to market for new drugs by optimizing regulations.

Figure-4 New Drug Development to Market Flow Chart (USD)



Data source: Molecules 2018, 23, 533. (The Pharmaceutical Industry in 2017. An Analysis of FDA Drug Approvals from the Perspective of Molecules)

Figure-5 The number of new drugs approved by the US FDA over the years



Data source: Securities Services 662 issue, 102 pages. (Current status and future development trend of new drug R&D industry)

② Generic drugs market

The global generic drug market is expected to continue its growth trend due to government policies encouraging the use of generic drugs in many countries, the expiration of patents of popular brands, and the consolidation and mergers of large pharmaceutical companies, which will reduce the number of generic drugs with the same ingredients in the market and help alleviate the phenomenon of vicious price reduction. It is estimated that the CAGR will be 5.6% from 2018 to 2023, and that sales of generic drugs will reach USD 423.84 billion in 2023, with emerging markets in the Asia-Pacific region growing rapidly. For example, due to the growth of Indonesia's population, the prevalence of infectious and non-infectious diseases, and the government's promotion of a universal health insurance system, the generic drug market, ranked 16th in the world in 2018, is expected to have the highest growth in the Asia-Pacific region from 2018 to 2023, with a CAGR of 12.1%. Indonesia's generic drug market is estimated to be USD 5.68 billion in 2023, making it the largest generic drug market in Southeast Asia and the 13th largest in the world. In addition, as China in East Asia is the world's most populous country with a population of 1.4 billion, coupled with rapid economic growth, its people's demand for medical care has increased, making China the world's largest market for generic drugs, with an estimated CAGR of 7.5% from 2018 to 2023, and sales of generic drugs of approximately USD 122.34 billion in 2023. Others such as Vietnam in Southeast Asia, India in South Asia, and Japan in East Asia will also experience good growth, with estimated CAGRs of 11.9%, 10.2%, and 8.6%, respectively, higher than the projected CAGR of 5.6% for the global generic drug market from 2018 to 2023.

The United States has the highest drug spending in the world, accounting for 41.8% of the global total in fiscal 2016. It is also the number one global market for generic drugs, accounting for approximately 25% of the generic drug market. Because of the large amount of drug spending in the U.S., the US FDA is actively improving drug-related regulations to encourage pharmaceutical companies to develop generic drugs to lower drug prices and speed up product launches. In addition, in order to address the problem of high drug prices caused by the lack of competition in the generic drug market in the United States, and to encourage manufacturers to actively pursue the development and rapid launch of generic drugs with little or no competition in the market, the U.S. FDA officially released a draft guidance document entitled "Competitive Generic Therapies-Draft Guidance for Industry" in February 2019, which focuses on creating new routes to market for competitive generic therapies (CGTs). If an application is designated by the FDA as a CGT drug application, an interim review meeting and CGT collaborative review measures can be adopted to expedite the review, and a 180-day exclusivity period for competitive generic drugs can be obtained to encourage the launch of new generic drugs, promote comprehensive competition in the drug market, and provide patients with rapid access to much needed and affordable drugs.

According to the IQVIA report, total sales of generic drugs for the top 10 global pharmaceutical manufacturers in 2018 were approximately USD 29.20 billion, a decrease of 12.8% compared to 2017; the top 3, 8th and 10th rankings remained unchanged in 2018 from 2017, namely Teva, Mylan, Novartis subsidiary Sandoz and Hikma, and Fresenius Kabi (Table 3-3-4). In October 2017, Impax announced a merger with Amneal Holdings to form a new generic drug company, Amneal Pharmaceuticals, resulting in a significant ranking jump to number 4 in 2018 for its generic drug sales.

Table 3-3-4 Top 10 Generic Drug Manufacturers in Global Sales in 2018

Unit: US$ hundred million

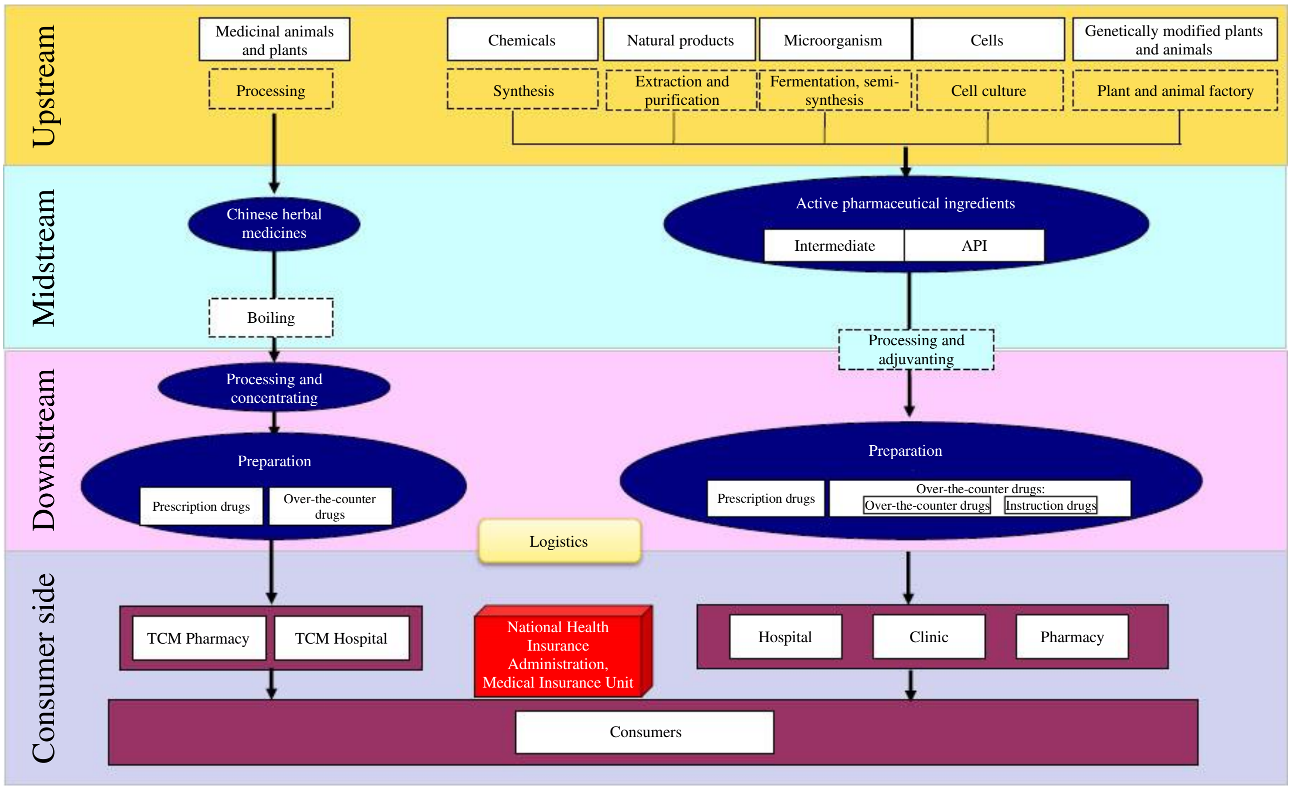
Ranking	Manufacturer	Headquarters	Total Sales of Generic Drugs in 2018
1	Teva	Israel	64.0
2	Mylan	US	56.0
3	Sandoz/Novartis	Switzerland	38.0
4	Amneal	Switzerland	28.0
5	Endo	US	22.0
6	Greenstone/Pfizer	US	20.
7	Sun Phamma	India	17.0
8	Hikma	Jordan	17.0
9	Lupin	India	16.0
10	Fresenius Kabi	Germany	14.0
Total			292.0

Source: IQVIA; Compiled by the Department of Industrial Information, DCB & the ITIS program (July 2019)

2. Upstream, midstream and downstream industry relations

There are three types of drugs: original drugs, imported or domestic generic drugs with bioequivalence (BE Generics). The structure of the domestic pharmaceutical industry can be categorized into upstream, midstream and downstream. Upstream includes the raw materials for the preparation of pharmaceuticals, such as natural substances and general chemicals for Western pharmaceuticals; midstream is the active pharmaceutical ingredients industry and Chinese herbal medicine processing industry; downstream is the manufacture of pharmaceuticals and various sales channels. Currently, the pharmaceutical industry in Taiwan is generally focused on downstream. The Company and its subsidiaries' main sources of revenue come from the manufacturing and distribution of various Western pharmaceuticals and pharmaceutical CDMO. Therefore, it is considered downstream manufacturers in the industry. The upstream, midstream, and downstream relationships in the pharmaceutical industry are shown below:

Upper, middle and downstream structure of Taiwan's pharmaceutical industry



Data source: Compiled by the ITIS program of DCB's Product Investment Group; Pharmaceutical Industry Yearbook (2015).

A. Upstream

The raw materials for Western pharmaceuticals include natural substances and general chemicals, which are mainly synthesized chemically or prepared semi-synthetically, while others are obtained from plants, animals, minerals, animal organs, microbial strains and related tissue cells. The upstream of Chinese medicine is mainly made of plants and a few animals and minerals as raw materials. However, in recent years, due to advances in biotechnology, biotech drugs are produced by tissue culture or direct cultivation of plants or farmed animals using gene transfer techniques. Therefore, biotech drugs are mainly made from living organisms and are produced by genetic recombination technology to produce proteins, monoclonal antibodies or nucleic acid drugs with therapeutic or preventive properties.

B. Midstream

Mainly the Active Pharmaceutical Ingredients industry and Chinese herbal medicine processing industry. The Active Pharmaceutical Ingredients industry is an organic chemical industry with different mass production methods depending on the source. For ingredients obtained from natural materials, in addition to the preparation of raw materials such as fermentation and cultivation, the main process technologies are extraction, separation and purification; as for the preparation of general chemicals, the main process technologies are complex organic synthesis and separation and purification; for preparation by genetic engineering, purification and recovery processes are used. The processing of Chinese herbs is mainly based on the processing and concoction of medicinal plants.

C. Downstream

Downstream includes both the Western pharmaceutical and Chinese medicine industry. The Western pharmaceutical industry includes the processing of raw materials and pharmaceuticals, such as excipients, disintegrants, adhesives, lubricants, emulsifiers, etc., into convenient dosage forms. In addition to traditional methods of processing Chinese herbs into paste, pill, powder, tablet, etc., Chinese herbal formulas can be refined and concentrated into granules, powder or other Western pharmaceutical forms, which are called Chinese medicine concentrated preparations (commonly known as scientific Chinese medicine) or Western pharmaceutical forms of Chinese medicine.

3. Product trends and competition

A. Product trends and competition

The Company and its subsidiaries are currently engaged in two major product categories: pharmaceutical CDMO and Western pharmaceutical distribution. With respect to Western pharmaceutical CDMO, the Food and Drug Administration (TFDA) of the Ministry of Health and Welfare of Taiwan officially became the 43rd member of PIC/S on January 1, 2013 after a series of rigorous evaluation procedures by PIC/S, and PIC/S GMP has been fully implemented since January 1, 2015. This establishes mutual certification with other countries, eliminating the complicated procedure of repeated inspection and review, representing Taiwan's pharmaceutical companies' alignment with the international market. It is expected that as the number of PIC/S GMP members continues to increase while the competition in the global drug market will become increasingly intense for new drugs and generic drugs. The pharmaceutical regulatory standards will be raised, making it more important for pharmaceutical companies or new drug companies to control R&D costs and improve R&D efficiency. Therefore, in recent years, the industry has moved towards a supply chain emphasizing professional division of labor and focusing resources on their core business. Professional service outsourcing companies have emerged in all segments of the industry chain, including disease-targeted research, drug compound selection and development, clinical trials, contract manufacturing and processing, and marketing, and are divided into contract research organizations (CROs) and contract manufacturing organizations (CMOs), depending on the needs of the product at different stages. According to a study by Igea Hub Pharmaceutical Club in March 2018, the global CRO market reached USD 36.27 billion in 2017, is expected to reach USD 39.13 billion in 2018 (CAGR 7.6%) and is expected to reach USD 56.34 billion in 2023 (2018-2023, The global CMO market, according to a report provided by Business Wire in 2018, reached USD 92.31 billion in 2017 and is expected to reach USD 146.41 billion in 2023 (2018-2023, CAGR 8.08%), indicating a high demand is very high and growing market. In addition, the Company and its subsidiaries are actively developing the global CDMO business and optimistic about the market demand, especially because most of the new drug companies in Taiwan do not have their own manufacturing plants. When there is a demand for clinical drug manufacturing, it is very difficult to find Active Pharmaceutical Ingredient plants and pharmaceutical plants that comply with PIC/S GMP regulations to collaborate in manufacturing technology development and manufacturing; Without a pilot plant, traditional pharmaceutical companies face the risk of uncertainty in the early stage of new product development, and the use of their own R&D and production lines is bound to take up the resources of existing products, causing delays and higher development costs. Therefore, traditional pharmaceutical companies have started to outsource CDMOs in recent years to reduce risks and enhance their competitiveness; According to a new report by TrendForce, a global market research firm, the global pharmaceutical market is estimated to reach US$1.2 trillion in 2018, with an annual growth rate of 3.8%, driven by the entry of new drug products into the market and the continued increase in usage. It is expected to grow to approximately USD 1.55 trillion by 2023, with a compound annual growth rate (CAGR) of 5.1% from 2018 to 2023, indicating that the future development of the drug market is still promising.

B. Product Competition

(A) Pharmaceutical CDMO

While the continuing increase in number of PIC/S GMP members is beneficial to the expansion of the Western pharmaceutical CDMO market, it has also accelerated the competition in the Western pharmaceutical CDMO market. On the other hand, sales of Western pharmaceuticals are mainly in the domestic market, while the export market is subject to competition from large international pharmaceutical companies which makes expansion challenging; the small size of the domestic market, the small number and variety of products, the lack of economic scale, the number of domestic manufacturers, fierce competition, and the restrictions on drug prices imposed by the national health insurance have made it very difficult for the industry to grow and become profitable. Both for pharmaceutical CDMO and Western pharmaceutical sales, companies are actively expanding their export markets in order to overcome existing difficulties. For pharmaceutical CDMO, the Company's products manufactured at the Canada, Miaoli Zhunan and Tainan Guantian facilities can be exported to nearly 100 international markets worldwide, including the United States, Europe, Japan, Southeast Asia, Central and South America, and the Middle East. The Company intends to leverage on this advantage to actively explore overseas CDMO opportunities and continue to strive for domestic pharmaceutical CDMO orders to meet the needs of its CDMO customers, so that Bora's Canada, Miaoli Zhunan and Tainan Guantian facilities can become professional pharmaceutical manufacturing plants with global competitiveness.

(B) Distribution and commercialization

In addition, the Company will continue to develop its own products and increase the proportion of in-house production in order to enhance the competitive advantage of its own products, and to increase the number of self-financed pharmaceutical projects to satisfy the characteristics of different pharmaceuticals and market demand. Our subsidiary company Yuta Health is developing its health care products business and continues to strive for the distribution rights of well-known international brands in Taiwan to enrich the business and product lines of the Group. We have acquired the exclusive marketing business in Taiwan for SSP, the third largest pharmaceutical company in the Japanese cosmetic market, and for BOIRON, the global leader in the production of health care and maintenance products.

(III) Overview of Technology and R&D

1. Technology level and research development of the business

A. Technology level of the business operated

The pharmaceutical production facility under our group can produce solid dosage forms such as tablets (bare tablets, film-coated tablets, sugar-coated tablets), capsules and granules, as well as liquid (oral solution, nasal spray) and semi-solid (gel, cream, ointment) dosage forms. We also have various types of equipment for the production of small, medium, and large controlled release granule dosage forms, and are one of the few facilities designed for the large-scale production of controlled release film coatings with organic solvents, and are a company with the technical capability to produce multiple pharmaceutical dosage forms. In addition, we will further enhance our process technology and production capability through product development.

B. Research and Development

(A) Process technology capability enhancement

a. Development of process technology for various dosage forms: At present, our Canadian facility is capable of producing tablets, liquids (oral liquid, nasal spray) and semi-solids (gel, cream, ointment), certified by international standards and recognized as a high quality pharmaceutical manufacturing facility. The Tainan Guantian Facility has tablet, capsule and granule product lines. In addition to the production lines for oral solid dosage forms, the Zhunan facility has production lines and technical capabilities for oral multiple long-acting controlled release capsules. We will continue to expand production lines for different dosage forms in response to the development or authorization of new products and continue to develop process technologies for various dosage forms to meet the needs of our CDMO customers and to pursue more CDMO opportunities.

b. Development of process amplification technology: Our company has been able to meet the needs of our customers in the trial production stage in small quantities. The contracted manufacturer must be able to meet the customer's low volume production needs at this point to test the market acceptance level. Subsequently, the authorized manufacturer must be able to quickly scale up the production volume to meet the customer's mass market supply needs. In this regard, the flexible production process at our Guantian facility in Tainan has achieved a lot size range of 10~440kg/batch or 50,000~1,200,000 tablets/lot. The flexibility of scheduling makes it possible to meet the needs of customers with small and medium-sized lots or diverse packaging. The Zhunan facility has a medium-sized production area and a large production area, so that it can scale up or change its production capacity and volume in response to the needs of large overseas markets (e.g., the United States). The Canadian facility also has a small pilot facility to respond to customers' needs for mass production scale-up. It has exported pharmaceutical drugs to about

100 markets worldwide and has extensive experience in supplying to international customers. In the future, the Company will continue to develop different process scaling technologies to provide our CDMO customers with various production volumes and speed up the mass production of our products.

(B) Self-developed pharmaceutical drugs

a. New dosage forms: Develop new dosage forms to create product differentiation. The main development direction is to redesign the dosage form and evaluate the efficacy in clinical trials, improve the marketing strategy of dosage form development and to make a high threshold specialty drug.

b. Special generic drug products development: We will focus on the development of niche generic drugs, especially those with market demand and technical thresholds. In addition to the above, the Company also provides comprehensive services from product development, registration to product production and CDMO for generic drugs, which will enhance the Company's competitiveness.

2. Research and development staff and their academic experience

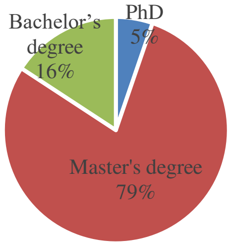
(1) Number of research and development staff and their years of experience

Unit: Number of people; Year

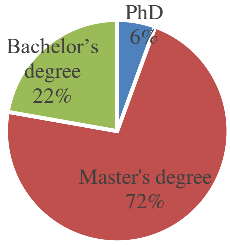
Year / Item	2019	2020	For the year ended March 31, 2021
Number of people	19	18	19
Average years of services	2.61	3.31	3.40
Average years of R&D experience	11.42	11.62	11.95

(2) Research and development staff and their academic experience

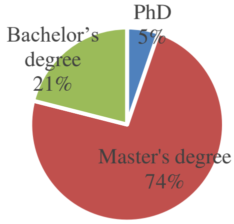
2019



2020



For the year ended March 31, 2021



3. Research and development expenses for the last two years

Unit: NTD thousands; %

Item \ Year	2019	2020
R&D expenses	39,645	36,652
Net revenue	1,529,216	1,799,570
Percentage of net revenue	2.59	2.04

4. The last five years of successful technology or product development

Year	Technology or products successfully developed or under development in the last 5 years
2015	• TGT-1409 (urinary tract disorder): Long-acting oral dosage form, passed bioequivalence test study.
2016	• BGF-1302 (antipsychotic): Passed the bioequivalence test study. • TGTE-1305 (antiviral): Passed the bioequivalence test study. • TGT-1307 (antiviral): Passed the bioequivalence test study. • BSAS-1523 (a new drug for psychosis in Taiwan): The TFDA articulation trial was evaluated and a large scale articulation clinical trial was waived.
2017	• BSAD-1303 (OTC combination cold and flu medicine): Obtain a license. • TGTE-1305 (antiviral): Obtain a license. • TGT-1307 (antiviral): Obtain license, complete product validation and product launch. • TGT-1409 (urinary tract disorder): Obtain a license. • TGT-1520 (antiviral): Passed the bioequivalence test study. • TGR-1524 (Parkinson's disease): Passed the bioequivalence test study.
2018	• BSAT-1301 (a new dosage form of compound pain relief drug) was patented in Taiwan. • TGT-1520 (antiviral): Obtain a license.
2019	• TGR-1524 (Parkinson's disease): Obtain a license.
2020	• BSAT-1301 (a new dosage form of compound pain relief drug) has been patented in Germany, the UK and France.

5. Taiwan CDC Drug License

The Company is optimistic about Union Chemical & Pharmaceutical's long-established brand advantages and stable sales channels in the field of generic drugs, as well as the fact that Union Chemical & Pharmaceutical holds numerous drug licenses related to the central nervous system, ophthalmology and antibiotics, which is conducive to the Company's complete distribution of drugs for the central nervous system and the expansion of antibiotics and ophthalmic products with development potential in the pharmaceutical markets of emerging countries. In order to expand its market, share and distribution channels for pharmaceutical products, the Company invested in 100% of the shares of Union Chemical Co., Ltd. in July 2014 and as of the printing date of the annual report, the Company and its subsidiaries have obtained more than 178 drug licenses.

In addition, the Company acquired the Zhunan facility in 2018, during which time it also obtained the exclusive Taiwan license for Numient, a long-acting therapeutic capsule for Parkinson's disease from Impax, a pharmaceutical development company. The Company also obtained a drug license from the Ministry of Health and Welfare in 2019 to officially market the product. In collaboration with Vitruvias Therapeutics Inc from the US, registered and launched the oral controlled-release form of potassium chloride for the treatment of hypokalemia in Taiwan. The drug has been added to the list of essential drugs by the Food and Drug Administration.

(IV) Long- and short-term business development plans

1. Short-term business development

A. Continue to expand existing products

(A) Original Distributor

The company currently distributes Lexapro, Ebixa and Brintellix from Denmark's Lundbeck, Numient used for Parkinson disease, as well as Lendormin, a sleep aid, from Boehringer Ingelheim, the largest pharmaceutical company in Germany, products with mild side effects, good product efficacy and sales growth. In the future, we will continue to expand the number of customers and the amount of customers.

The Company has been marketing its own brand of health products, IMMU BOOST effervescent drink series for many years and has a good reputation with its loyal consumer base. In April 2016, the Company launched the popular products of Japanese pharmaceutical company Eisai in Japan, Aloe Vera Serum and Cream, which have been popular in Japan for many years, and started selling them in pharmacy chains and cosmetic stores. Currently, our subsidiary Yuta Health's products include the health care products of SSP, the third largest pharmaceutical company in Japan's cosmetic market, products of Eisai in Taiwan, as well as the exclusive marketing business of BOIRON, a global leader in the production of topical drugs.

(B) Self-licensed products

After the merger of Union Chemical & Pharmaceutical, the Company began to re-analyze, research, position, plan and re-market Union Chemical & Pharmaceutical's promising specialty pharmaceuticals, including: It is a niche generic drug that is used for antipsychotic disorders such as Eudapine, Parkinson's disease such as Parkinin, and Gastric suspension to eliminate flatulence in the stomach and intestines. In addition, the Company is actively exploring the export market of Union Chemical & Pharmaceutical.

B. Development of new original distributorship

Our company has a wide range of sales channels, with a comprehensive team of clinics, pharmacies and hospital distributors. Because of the health care policy and the global cost reduction of the original manufacturer, we will leverage on our professional capability in the central nervous system and good relationship with the original manufacturer to obtain the distribution rights of other foreign original manufacturers.

C. CDMO business continues to grow

Our company has a long-term CDMO contract with Taiwan Eisai, increasing our annual CDMO scale year by year. In addition, the Company continues to transfer the production of Union Chemical & Pharmaceutical certified products to the Tainan Kuantian Facility and expand its CDMO business. The above business strategy policy can gradually increase the proportion of Union Chemical & Pharmaceutical products, the Company's own products or other CDMO products in the Kuantian Facility and increase future revenue. In addition, the Company acquired Zhunan Facility, Inc. from the US in February 2018 and obtained a long-term CDMO contract. Located in the Hsinchu Science Park, the 36,133-square-meter facility is the second pharmaceutical manufacturing facility of Bora, following the purchase of the Tainan Kuantian facility of Japanese company Eisai in 2013. The facility has been certified by the Food and Drug Administration of the Ministry of Health and Welfare, the Food and Drug Administration of the United States, and the Medicines and Healthcare Products Regulatory Agency of the United Kingdom. The factory has an annual production capacity of 2 billion tablets and capsules and is equipped with pilot processes, standard production areas, laboratories, offices, cafeterias, mechanical rooms, and warehouses. The facility’s main focus is on the production of oral solid dosage forms. At present, all of our pharmaceutical products are supplied to the US pharmaceutical market, and we are the only pharmaceutical production facility in Taiwan that only supplies the US market. In addition to the production of generic drugs, the Company’s also produce brand-name drugs, which are orally administered special controlled release drugs. The pilot mass production and scale-up technology development are done in Bora's Zhunan facility, which is the production center for the global supply of this product. The Zhunan facility is an important production site for Bora Pharmaceuticals as it ventures into the global market.

In addition, on December 01, 2020, the Company acquired the pharmaceutical manufacturing facility from GlaxoSmithKline in Mississauga, Canada. The new Bora facility, located in Ontario, Canada, has 183,000 square feet of space and is approved by USFDA, Health Canada, EMA of the EU, Japan’s PMDA and satisfies the PIC/S world class standards. The facility specializes in the manufacture of tablets, capsules, semi-solids and liquids, and is equipped with chemical analysis and microbiology laboratories. In addition, this facility has a complete packaging line for tablets, capsules, liquids, nasal sprays, aluminum foil bags, blisters, high-speed tube filling, and has the ability to serialize products in bottles and tubes. The products are exported to many countries, including North America, South America, Asia, Russia, Middle East, Europe and Africa.

Mississauga produces and packages a wide range of semi-finished and finished pharmaceutical and healthcare products in a variety of dosage forms, with the ability to manufacture a variety of complex products, including expertise in handling highly active pharmaceutical ingredients (HPAPI) and technology transfer, on a scale that allows for clinical and volume production needs. The facility is currently equipped with 18 types of production equipment modules (including three pilot facilities) and can provide various production scales according to customer requirements.

The facility is currently exporting products to about 100 markets around the world and is equipped with international production capabilities and quality. The acquisition of the Canadian factory will accelerate the growth and expansion of Bora's international CDMO.

2. Long-term Business Development Plan

A. Actively expand overseas markets

We have three production facilities in Mississauga, Canada, the Tainan Guantian facility, and Bora's Zhunan facility. All are qualified and experienced in exporting pharmaceuticals and competing for international CDMOs worldwide. Since the Company's investment in Union Chemical & Pharmaceutical in July 2014, we have been actively expanding the exports of Union's products to other Asian markets and established a US subsidiary in early November 2019. In addition to actively expanding our international business, we will also explore opportunities for collaboration in our overseas markets. In 2020, we jointly acquired the exclusive manufacturing and sales rights for Numient, a brand-name drug for Parkinson's disease, with Amneal, a US pharmaceutical company, for 11 markets in 9 countries in Asia, excluding Taiwan. The Company and its subsidiaries will take leverage on it international CDMO export experience and also seek collaboration and authorization in the international market to expand the international export business.

B. Continuous development of own products

The Company will continue to develop our own products, such as our own generic drugs and new dosage forms drug, using our own drug delivery technology. In the future, we will also collaborate with international marketing partners and establish our own channels for domestic and international drug sales.

C. Focus on innovative drug development

The Company and its subsidiaries are dedicated to the research and development of innovative drugs, focusing on the development of new small molecule dosage forms for drug improvement and the development of next generation drugs to maximize drug efficacy, minimize side effects, and increase the convenience of drug use. Projects focus on “new dosage forms” which have high development threshold and duration but high market value. Focus on developing time-consuming, high-risk, technology and hardware specific technology platforms that satisfy "unmet medical needs" and cater to the “innovative drug delivery platform” with long-term economic benefits and market differentiation. The current R&D development focus is as follows.

(A) Niche generic drugs:

The development of niche generic drugs, especially those with market demand and technical thresholds. The Company's initial strategy is to provide authorized development of generic drugs, providing a comprehensive development chain from raw material evaluation, product development, registration to CDMO mass production, in order to consolidate the cornerstone of our R&D capabilities We have obtained a number of product approvals and are in the process of registering for domestic and international drug verification.

(B) New dosage forms:

The Company is developing new drugs with new formulations, new indications, new dosage forms and new compounding to create product differentiation and market segmentation, which will strengthen our marketing of special dosage forms as specialized drugs. Promote the development of foreign markets at the same time, including: The Company is planning to collaborate with foreign pharmaceutical companies in the United States, Europe, Southeast Asia, Japan, and China in order to bring our products to market quickly in all major countries. At present, the Company has obtained a license for BSAD-1303, a new formulation combination drug; BSAT-1301, a new compounded pain relief drug, which is a major development project, a patent in Taiwan and Europe respectively, and a number of international patents under review; the Company also has special multi-unit dosage forms under development.

(C) Innovative drug delivery platform:

Based on the Company's many years of experience in selling original central nervous system drugs, our analysis of market trends and the "unmet medical needs" of patients, we have formulated "special drug delivery technology" as the core of our long-term development strategy. Pharmaceutical development is focused on improving the efficacy, safety, and convenience of medications to meet the unmet needs of the healthcare market. Direction of research and development of special agent technology: The Company's drug delivery technology platform has been progressively completed through controlled release dosage forms, microcellular dosage forms, special particulate dosage forms and special multi-dose dosage forms, in order to accelerate its innovative drug development process and reduce development risks and costs in the future. In addition, the Company can further combine the patented ingredients of advanced foreign pharmaceutical companies and invest in the development of innovative drugs at an early stage, so as to obtain the first mover advantage for global manufacturing and marketing in specific markets. The drug delivery technology platform that the Company is currently constructing is described below:

① Controlled release dosage form technology

In addition to the various dosage form technologies, the Company also specializes in the more advanced controlled release dosage forms of drugs. The controlled dosage form design can adjust the drug release rate and control the circulation time of the drug in the body, thus reducing the frequency of repeated dosing, increasing the efficiency and convenience of the user, and reducing the side effects of the drug. As a result, the Company has accumulated a number of mature key technology experiences and established many key pharmaceutical technology platforms.

② Film-coated drug coating and release control system

The drug is coated on the surface of the tablet with a safe and special polymer material, such as ethylcellulose, poly(meth)acrylates, hydroxypropyl methylcellulose phthalate, etc., to control its uniformity. When the patient takes the drug orally, the outer layer of the coating can control the amount of water entering the dissolved drug and also regulate the release of the drug. This technology can maintain the effective therapeutic concentration and efficacy of the drug in the blood for 24 hours, which means only one dose is needed per day, improving the convenience of taking the drug and reducing side effects.

③ Interstitial controlled release dosage system

The drug is uniformly dispersed in specific excipients, such as hydroxypropyl methylcellulose and carboxymethylcellulose sodium, and pressed into a tablet with a special formulation. This technology can reduce the number of doses and maintain the effective therapeutic concentration and efficacy in the body for 24 hours with just one tablet each time, thus enhancing the convenience of administering the drug to patients.

④ Delayed controlled release dosage system

There are different pH levels in the human gastrointestinal tract, with acidic pH 1.2 in gastric juice and neutral pH 5-7 in intestinal juice. Therefore, the tablet or spherical granule is coated with a pharmaceutical coating that is stable in the stomach and dissolves at a specific pH in the intestine after passing through the stomach. The coated tablets or spherical granules are designed to meet specific drug release characteristics, such as pharmacological requirements for release in the intestinal tract. This can avoid stomach irritation and the concern of unstable damage caused by the dissolution of drugs in the stomach, and can control the dissolution and absorption of drugs to the duodenal or small intestine area. This dosage form is designed to avoid causing discomfort to the patient and to facilitate the effective performance of the drug's pharmacological functions.

⑤ Oral quick-disintegrating tablet preparation system

This new dosing system is highly acceptable to patients and is ideal for the elderly, children, psychiatric patients, uncooperative patients, and patients who have difficulty in obtaining water. The tablets disintegrate immediately in the mouth, changing the stereotype that drugs are not easy to swallow and greatly enhancing the convenience of administration for patients.

⑥ Microcellular dosage form technology

Micelles are composed of amphiphilic molecules with polar hydrophilic group facing outward and non-polar hydrophobic group facing inward to form a single-layer spherical structure. Depending on the characteristics of the amphiphilic molecules that make up the microcellular structure, they can be divided into conventional microcells equipped with low molecular weight interfacial activators and polymeric micelles formed by amphiphilic copolymers. Our company focuses on the development of microcellular system formed by amphiphilic polymers as a delivery system for hydrophobic drugs, and the development of self-assembly polymeric micelle system (SAPMS), which can increase the solubility of drugs and thus increase their absorption and efficacy. It can also protect the drug from degradation and reduce toxicity and side effects. For example: The microcellular bodies are composed of biocompatible polymers and are therefore relatively non-toxic. Microsomes are composed of biocompatible polymers and are therefore relatively non-toxic, can be formed using polymers with a larger hydrophobic core that can increase solubility (about 10-5000 times) and most drugs are insoluble. Therefore, the drug can be encapsulated in a hydrophobic microcellular core using macromolecules and isolated from the blood circulation system to avoid contact with non-active sites to reduce the toxicity of the drug. After the drug-coated microsomes are given to the body, the microsomes will come into contact with body fluids, which will dilute the microsomes in a continuous manner. When the concentration of the microsomes is diluted below the minimum critical micelle concentration (CMC), the microsomes will disintegrate and the drug will be released.

⑦ Special multi-dose technology

Multiple unit delivery systems contain multiple units of drug particles or pellets in a single tablet, and the tablet can be split in half according to the required dose. Due to the homogeneous distribution of the drug-containing particles in the tablet, it is possible to achieve the advantage of stable dose control even if the tablet is used in half. In addition, these drug-containing pellets or pellets are treated with a special technique that allows the tablet to be placed in water and stirred for a few minutes before the tablet disintegrates, revealing the drug-containing pellets or pellets, so that the patient can drink the water and the pellets for therapeutic purposes, or use the disintegrating granules in nasogastric tubes for patients to achieve the goal of convenience in drug administration.

The Company will continue to develop our own products, such as our own generic drugs and new dosage forms, using our own drug delivery technology. In the future, we will also collaborate with international marketing partners and establish our own channels for domestic and international drug sales.

II. Market and Production Overview

(I) Market analysis

1. Main product sales regions: Taiwan and the United States

Unit: NTD thousands %

Region	2020 Annual Turnover	Customer Ratio
Domestic Sales	615,870	34.22%
Export Sales	1,183,700	65.78%
Total	1,799,570	100.00%

2. Future market supply and demand and future growth

The pulse of the global pharmaceutical industry will be influenced by the following key factors that will affect future market supply, demand and growth:

A. The increasingly ageing global society

The United Nations report predicts that the global population will reach 9.15 billion by 2050, with 16% of the population over the age of 65. The market for drugs for the treatment of geriatric and chronic diseases will increase.

B. The global pharmaceutical market continues to grow steadily

According to a latest report by TrendForce, the global pharmaceutical market is estimated to reach US$1.2 trillion in 2018, with an annual growth rate of 3.8%. It is expected to grow to approximately US$1.55 trillion by 2023, with a compound annual growth rate (CAGR) of 5.1% from 2018 to 2023. Driven by the entry of new products into the market and the continued increase in usage, the demand for pharmaceutical products is expected to grow steadily.

In response to changes in the market and demand and supply, the Company and its subsidiaries will adjust their business model to one in which profits are generated from a small number of best-selling pharmaceutical products, and to one in which profits are generated from a diversified product mix and geographic sales.

3. Competitive niche

A. Diversified access, with advantages and reputation

Our Company has rich experience in distributing original pharmaceutical products and has maintained stable distribution relationships. We distribute imported original drugs for the central nervous system and actively cultivate professional sales personnel to develop the market. Currently, our main distribution channels are clinics and pharmacies, and we have established a leading position in the psychiatric and neurological drug market. Union Chemical & Pharmaceutical, a subsidiary of the Company, has been working in the field of generic drugs for a long time and holds various drug licenses, and maintains good relationships with medical centers, regional hospitals, local hospitals and primary care institutions. The Company also has long-standing relationships with distributors and focus on medical centers such as Veterans General Hospital, National Taiwan University Hospital, Shin Kong Hospital, Tri-Service General Hospital, Tzu Chi Hospital, Chang Gung Hospital, Cathay Hospital, Cheng Kung University Hospital, and MacKay Memorial Hospital. In recent years, in response to the demand for health care products, we have successfully developed and launched our own brand, IMMU BOOST fizzy drink series products, and distributed a number of international well-known brand health care products to meet the needs of the complex market channel, combined with Taiwan's distribution network, to jointly consolidate the channel market.

B. High-quality production environment and internationally certified pharmaceutical companies, as well as pharmaceutical companies with production and sales channels and extensive product lines

The Company's Tainan Guantian Facility and our subsidiaries, Bora's Miaoli Zhunan Facility and Mississauga Facility in Canada, have high quality products and technology. The production, manufacture and sale of pharmaceutical products involve time-consuming professional certification procedures and quality control, and have stringent and special requirements in terms of production process and quality, which can meet the requirements of international pharmaceutical companies for the production process and quality of pharmaceutical products. In addition to being a professional pharmaceutical manufacturing facility with PIC/S GMP certification, the Tainan Guantian Facility and Bora's Miaoli Zhunan Facility are also one of the few pharmaceutical manufacturers in Taiwan that have received international certification. The facilities produce CDMO products that are currently exported to about 100 markets worldwide, have passed the inspection of national regulatory authorities with international high quality requirements, and are equipped with international production capacity and quality. The vast hinterland of the facility also provides an excellent environment for facility expansion.

In addition, the Company continues to enhance its capabilities in the production of Western pharmaceutical CDMOs and its own drug certification products, and to integrate its existing complete distribution channels. The Company has gradually evolved into an excellent pharmaceutical company with products, production capacity and sales channels.

4. Favorable and unfavorable factors for future development and response measures

A. Favorable factors

(A) Taiwan's pharmaceutical market is growing due to its aging population and rising living standards

As our population ages, the demand for medical care for the elderly and the chronically ill has increased significantly, and with the increase in national income and the general improvement in living standards, people are now paying more attention to health insurance and medical quality. The demand for pharmaceuticals is likely to continue to increase in the future. In 2014, our total population reached 23.46 million, of which the elderly population (aged 65 and above) accounted for 12% of the total population, with about 2.8 million people. The annual compound growth rate of the elderly population reached 2.7% over the decade (2004-2014), indicating that our country is moving toward an aging society, and an aging population will lead to increased spending on health care, social insurance and welfare. In addition, the demand for drugs related to the central nervous system has been growing in recent years due to mental problems caused by the increasing pressure of life in Taiwan and the increasing frequency of dementia amongst the elderly in an aging society. Therefore, there is still room for the overall pharmaceutical industry to continue to grow over the long term.

(B) Compliant with the trend of PIC/S GMP pharmaceutical manufacturing facilities and professional division of labor

Under the influence of technological advances and the impact of market globalization, international safety requirements for pharmaceuticals are constantly increasing. The Food and Drug Administration (TFDA) of the Ministry of Health and Welfare of Taiwan has become a member country of PIC/S GMP in 2013 in order to improve the quality of domestic pharmaceutical products and ensure the safety of domestic drug use, and to help domestic pharmaceutical products become more competitive in the international market. Since January 1, 2015, PIC/S GMP production and manufacturing standards have been officially implemented. Pharmaceutical companies that do not meet the certification are not allowed to continue to produce drugs. Most of the new drug companies in Taiwan do not have their own manufacturing facilities, and when there is a demand for clinical drug manufacturing, it is very difficult to find active pharmaceutical ingredient facilities and pharmaceutical companies that comply with PIC/S GMP regulations to collaborate in manufacturing technology development and manufacturing; Without a pilot facility, traditional pharmaceutical companies face uncertainties in the early stage of new product development, and the use of their own R&D and production lines is bound to take up the resources of existing products, causing delays and higher relative development costs. Therefore, traditional pharmaceutical companies have started to try to outsource CDMO in recent years to reduce risks and enhance their competitiveness. The Company and its subsidiaries are aware of the rising trend of international CDMO and professional division of labor, where domestic pharmaceutical companies use production facilities that meet international standards to compete for CDMO opportunities offered by international companies. For domestic pharmaceutical companies, engaging in CDMO for foreign pharmaceutical companies, in addition to enhancing production technology of pharmaceuticals, is an opportunity to establish further cooperation with major international companies in the future.

The Company's Tainan Guantian Facility, Bora's Zhunan Facility and Canada Facility have all passed the PIC/S GMP inspection standard and obtained international certification, and are qualified and experienced in international pharmaceutical sales or international CDMO in member countries. This will facilitate the future international expansion of the Company and our subsidiaries.

B. Adverse factors and countermeasures

(A) Changes in the health care and drug pricing system suppress the profitability of pharmaceutical companies

The rapid growth of health insurance expenditures has led to a heavy financial burden for the health insurance system. With limited resources, the government has implemented a total medical cost budgeting system, on top of setting up drug contracts that regulate both drug prices and drug quantities, and conducted stringent audits on drug prices. In 2010, the government began to conduct health insurance drug price adjustments once every two years in accordance with the "National Health Insurance Drug Price Benchmark" and conducted several drug price benchmark surveys and drug price reductions. In 2013, the "National Health Insurance Drug Allocation Ratio Target System" was implemented on a trial basis for two years starting from January 1, 2013. The new drug price adjustment was announced in April 2014 and April 2015 respectively. The trial will be conducted for a third year in 2016 and will make adjustments for excessive drug expenditures in 2015. The new drug prices will be effective from April 1, 2016, which may affect the sales of some drugs and further reduce the profitability of pharmaceutical companies.

Response Measures:

The government's promotion of health care policies such as "total coverage," "public differential burden," and "cessation of coverage for instruction drugs" has challenged the domestic pharmaceutical industry's ability to respond to changes in the industrial environment. Price reductions are required for foreign patent drugs, expired patent drugs and local generic drugs; pharmaceutical companies inevitably face profitability suppression from price reductions. The Company's Tainan Guantian Facility and its subsidiary Bora's Miaoli Zhunan Facility have passed the

PIC/S GMP inspection and international certification, and are qualified and experienced in CDMO or international CDMO in member countries. The facilities are now actively planning to further expand their international export business. In addition, with the implementation of the "public differential burden" in the health insurance policy, the National Health Insurance Administration is only willing to pay the lowest price in the market for the same efficacy of drugs, which has a greater impact on the higher-priced foreign drugs. Due to budgetary and financial considerations, medical institutions and the public will turn to the best quality and inexpensive domestic generic drugs. The Company and its subsidiaries currently sell a number of non-healthcare products, such as: The Company also sells a number of our own and distributed health care products, which are self-proprietary pharmaceuticals and health care products, which are not affected by the price adjustment of health insurance drugs. The Company and its subsidiaries continue to enhance their product competitiveness and R&D capabilities in order to develop global contract research and development and manufacturing services (CDMO). The Company also continues to develop its own licensed products and distribute original pharmaceutical products, in order to reduce the impact of the health care drug pricing policy on turnover and profitability through the above measures.

(B) Excessive number of generic drugs, downward price competition for products

In order to survive in the market with excessive generic drugs of similar ingredients, domestic pharmaceutical manufacturers have adopted a price competition policy, thus reducing the sales lifespan and investment return period of the products.

Response Measures:

The Company and its subsidiary have a comprehensive sales channel and have been working on central nervous system drugs for a long time. Through its professional positioning and good relationship with the original manufacturer, the Company is currently distributing the Boehringer insomnia products of the original manufacturer and will actively seek to distribute other pharmaceutical products of the original overseas manufacturer in the future, in order to disperse the price competition pressure of the generic products. The Company's Tainan Guantian facility and our subsidiary Bora Miaoli Zhunan facility have strict requirements in terms of manufacturing process and quality; our factory staff have been trained by the original development pharmaceutical factory for many years and have a wealth of production experience. In addition, the facility has passed PIC/S GMP inspection and obtained international certification, so that it can immediately connect with the United States, Europe, Southeast Asia, Central and South America, the Middle East and other countries, etc. In addition to obtaining CDMO revenue to mitigate the impact of lower prices of generic drugs on the Company, the Company also serves as a distribution agent for Taiwan Eisai, the Impax from the US and other major international pharmaceutical companies. As mentioned above, the Company and its subsidiaries will actively seek to address the price competition of generic drugs by distributing overseas drugs from foreign manufacturers, increasing CDMO and other revenue sources, and exploring opportunities to develop overseas drug markets.

(C) How the progress and success of proprietary product development will affect the Company's operations

When investing in the development of its own pharmaceuticals, the Company must consider development progress and the risks it can bear in terms of success or failure. If the results of research and development cannot be successfully converted into sales of its own products to contribute to operating income, it will pose risks to the Company's future operations and profits.

Response Measures:

In order to reduce the impact of failure or lack of progress in the development of our own pharmaceutical products, the Company will first and foremost steadily develop our core businesses of CDMO and sales of pharmaceutical products, before investing a considerable amount of profits in the development of our own products to mitigate the risk of failure in the development of our own products due to operating losses. Since the main ingredients of the generic drugs and new dosage forms are already known, safety concerns are lower and literature data can be used to replace some of the clinical tests, which significantly reduces costs, shortens the investment time in R&D, and increases the success rate of our own drug development. In summary, the Company is currently relying on stable profits to invest in the development of drugs that can be marketed quickly in the short to medium term. In the future, the Company will follow this model and continue to increase the scale of its revenue, and invest a considerable amount of its profits in the development of drugs with a high threshold in the medium to long term, in order to enhance its R&D capability and product competitiveness.

(II) Major product applications and manufacturing processes

Product Items	Major Applications or Functions
Western Pharmaceuticals	Includes central nervous system medications, antibiotics, and gastrointestinal medications. Central nervous system drugs are mainly used for prevention and treatment of sedation, tranquilization and sleeping. Gastrointestinal drugs are mainly used for the prevention and treatment of gastrointestinal diseases. The main purpose of antibiotics is to inhibit the growth of bacteria or to kill them.
Health Care Products	Nutritional supplements, physical recovery, vitamin supplements and health care products, etc.
Income from CDMO	The Company's revenue from CDMO services and technical services for the development of pharmaceutical products.

(III) Supply of major raw materials

The sources of raw materials' supply for the Company and its subsidiaries are divided into domestic purchases and foreign imports. The Company maintains long-term and close collaborative relationship with domestic manufacturers, and raw materials imported from abroad are mainly imported from overseas through traders. Raw materials and suppliers are appropriately evaluated before collaboration. The Company maintains friendly relationships with alternative raw material suppliers and purchases raw materials in a decentralized manner. Therefore, the Company and its subsidiaries do not rely on a centralized source of raw materials from one supplier and have not experienced any shortage of materials.

(IV) The names of customers who have accounted for more than 10% of the total purchase (sales) in any of the last two years and the amount and proportion of their purchase (sales), together with the reasons for the increase or decrease

1. The names of customers who have accounted for more than 10% of the total purchase in any of the last two years and the amount and proportion of their purchase, together with the reasons for the increase or decrease

Unit: NTD thousands

Item	2019				2020			
	Name	Amount	As a percentage of net imports (%)	Relationship with the issuer	Name	Amount	As a percentage of net imports (%)	Relationship with the issuer
1	Taiwan Eisai	71,121	16.33	None	Taiwan Eisai	67,149	5.54	None
2	Zuellig Pharma	53,129	12.20	None	Zuellig Pharma	57,112	4.72	None
3	—	—	—	—	GSK	768,013	63.41	None
4	Others	311,264	71.47	—	Others	319,007	26.33	—
Total	Net amount of purchases	435,514	100.00	—	Net amount of purchases	1,211,281	100.00	—

Explanation for any increase or decrease:

A. Zuellig Pharma: The quantity of Lendormin purchased from Zuellig is adjusted according to market conditions.

B. Taiwan Eisai: The Company's distribution of Chocola products is adjusted based on market conditions and the purchase quantity from Taiwan Eisai is adjusted accordingly.

C. GSK： The Company acquired control of GSK's operating asset (facility) in Canada in December 2020, purchasing all inventory at the facility

2. The names of customers who have accounted for more than 10% of the total purchase in any of the last two years and the amount and proportion of their purchase, together with the reasons for the increase or decrease

Unit: NTD thousands

Item	2019				2020			
	Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with the issuer
1	Amneal	964,284	63.75	None	Amneal	895,256	51.06	None
2	Taiwan Eisai	159,524	10.43	None	Taiwan Eisai	155,039	8.62	None
3	—	—	—	—	GSK	214,752	11.93	None
4	—	—	—	—	DKSH	198,745	11.04	None
5	Others	405,408	25.81	—	Others	335,778	17.35	—
Total	Net sales	1,529,216	100.00	—	Net sales	1,799,570	100.00	—

Explanation for any increase or decrease:

A. Taiwan Eisai: One of the Company's CDMO products, Mecobalamin prescription drug, has seen decreased orders due to lower market demand.

B. Amneal: The Company's order-based production is adjusted according to market conditions. The change is reasonable because of the large depreciation of the US dollar when comparing the two periods.
C. GSK: The Company acquired control of GSK's operating asset (facility) in Canada in December 2020, commencing a 5-year CDMO contract.
D. DKSH: In fiscal 2020, the Company began collaboration in the logistics distribution of Japanese cosmetics and health care products, resulting in an increase in the amount of sales for this customer.

(V) Production volume for the last two years

Unit of production value: NTD thousands

Main Product \ Output Quantity and Value \ Year		2019			2020		
		Production Capacity Note1	Production Volume	Production Value	Production Capacity Note1	Production Volume	Production Value
Derms	thousand tubes	—	—	—	38,000	1,362	95,468
Solid Dos	thousand tablets	667,790	732,337	840,980	961,735	742,268	734,791
	thousand pics	—	—	—	800,000	129	14,217
	thousand bottles	—	—	—	14,000	1	34
Liquid Dose	thousand bottles	—	—	—	37,000	1,175	43,004
Total		Note2	Note2	840,980	Note2	Note2	887,514

Note1: Capacity refers to the company's quantities that can be produced using existing production facilities in normal operations, after consideration of necessary suspensions of operations, holidays and other such factors.

Note2: Not aggregated due to the different units of sales.

(VI) Sales volume for the last two years

Unit of production value: NTD thousands

Main Product \ Sales Volume/Value \ Year		2019				2020			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Derms	thousand tubes	4,766	3,770	—	—	223	5,308	1,234	64,005
Solid Dos	thousand tablets	487,095	368,304	272,286	919,044	495,624	364,388	319,667	939,313
	thousand pics	—	—	—	—	—	—	13	1,549
Liquid Dose	thousand bottles	262	15,937	—	—	322	18,422	—	—
others	Note	Note	166,264	4,695	55,896	Note	227,752	11,023	178,833
Total		Note	554,275	Note	974,941	Note	615,870	Note	1,183,700

Note: Not aggregated due to the different units of sales.

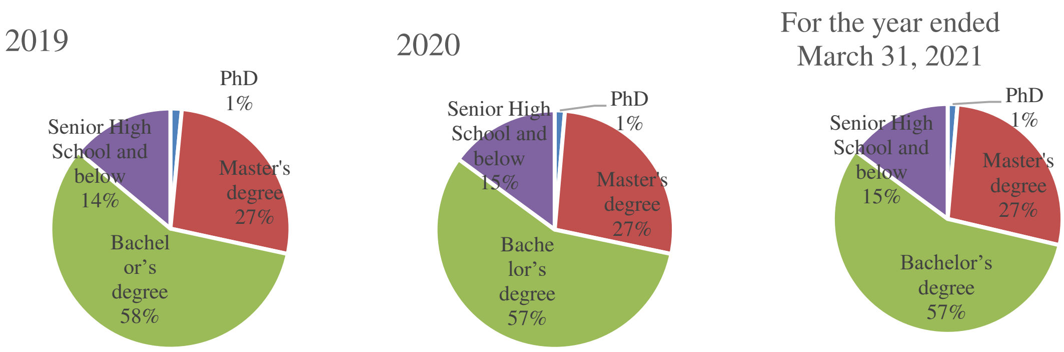
III. Number of workers, average length of service, average age and education distribution of employees in the industry for the last two years and as of the printing date of the annual report

1. Number of employees, average years of service, average age

Unit: person; %

Year		2019	2020	For the year ended March 31, 2021
Number of employees	Direct labor	133	339	343
	Indirect	325	483	473
	Total	458	822	816
Average age (years)		38.29	41.38	41.54
Average length of		5.30	5.84	5.99

2. Education background distribution



IV. Environmental protection expenditure information

(I) Total losses (including compensation) and penalties for environmental pollution for the most recent year and up to the date of printing of the annual report. None.

(II) Future countermeasures and possible expenses:

The company has one professional operator employee and a water pollution control permit (permit number: Tainan City Huan Shui Zi 05743-02). Our subsidiary, Bora Pharmaceuticals, will plan for an organic solvent waste gas incinerator (TO) or other feasible treatment facilities to perform treatment at the pollution source and comply with the permitted emission levels when production capacity increases in the future.

(1) Application for a permit to install facilities that cause pollution or a pollution discharge permit:

Item	License and content
Stationary pollution source prevention and control permit	On September 5, 2019, Bora Pharmaceutical Co., Ltd. (subsidiary Bora), a 100% directly owned subsidiary of the Company, was issued an operating permit for organic solvent operation procedure (M01) for stationary pollutant sources by the Hsinchu Science Park Administration, Ministry of Science and Technology (permit number: Hsinchu Science Park Environmental Control Operation Certificate No. KS244-03). On August 21, 2018, the operation permit for the stationary pollution source boiler vapor generation process (M02) was issued by the Hsinchu Science Park Administration, Ministry of Science and Technology, (permit number: Hsinchu Science Park Environmental Control Operation Certificate No. KS248-03).
Pollution control permit	On February 26, 2020, the Company applied to the Environmental Protection Bureau of Tainan City Government for a permit for water pollution control measures (permit document number: Guanhuan Zi No. 1090019698). On September 15, 2014, Bora's application for wastewater management was approved by the Hsinchu Science Park Administration (approval document number: Zhu Huan Zi No. 1030027715)
Water Pollution Control Permit	On February 05, 2020, the Company applied to the Environmental Protection Bureau of Tainan City Government for a permit for water pollution control measures (permit document number: Huanshui Zi No. 1090011205). On February 26, 2020, the Tainan City Government approved the issuance of the Tainan Water Pollution Control Permit (permit number: Tainan City Huanshui Zi No. 05743-02), valid till October 17, 2023. Our subsidiary Bora obtained the water pollution control permit on August 20, 2019 (operating permit number: Hsinchu Science Park Huanshui Zi License No. KS036-08), valid till August 04, 2024.
Business waste removal plan	On November 03, 2020, the Company's application for a change to its business waste cleanup plan was approved by the Environmental Protection Bureau of Tainan City Government (control number: D9700625), permit zihao: Huanshi Zi No. 1090128567. On August 26, 2019, our subsidiary Bora's application to change its business waste cleanup plan was approved by the Hsinchu Science Park Administration, Ministry of Science and Technology (control number: K71A2160), document zihao: Zhu Huan Zi No. 1080025296.
Toxic chemical substance approval documentation	The Company was issued the Toxic Chemical Substance Approval Document on June 11, 2020, approval zihao: Tainan City toxicity approval no. 000020, valid till July 15, 2024. Permitted items for operation and toxic chemical substances listing numbers and serial numbers: 04501, 05401, 05502, 05518; 06401, 07301, 07501, 07901, 08201, 09301, 09501, 09701, 09801, 09802, 10401, 10501, 11401, 11501, 11701, 12101, 12901, 14201, 14601, 16001, 16401 and 17601. A total of 26 items. Our subsidiary Bora Pharmaceuticals was issued the “Toxic Chemical Substance Approval Document” on September 22, 2020, approval zihao: Fuhuanweizi no. 1090060432 valid till August 15, 2023. Permission to Operate and Toxic Chemical Substance Registration Number and Serial Number: 04301, 04501, 04602, 05201, 05401, 05502, 05518, 06806, 07201, 07301, 07501, 07901, 08201, 09301, 09701, 09801, 09802, 10401, 10501, 11501, 11701, 12101, 14201, 14601, 16401 and 17801. A total of 28 items.

(2) Payment of pollution prevention and control costs:

Unit: NTD thousands

Year / Category	2019	2020
Sewage usage fee	1,203	1,287
Business waste disposal fee	3,789	3,348
Air pollution fee	17	57

V. Labor Relations

(I) The Company's employee various benefits for studying, training, the pension system and its implementation status as well as labor agreements and employee rights maintenance measures

1. Employee welfare measures and implementation

The following benefits are provided by the Company, in addition to the general benefits such as labor insurance, health insurance, group insurance and pension benefits: Year-end and festival bonuses, wedding and funeral subsidies, the employee stock option system, and other welfare measures, as well as performance bonuses depending on operating conditions.

2. Staff education and training status

The Company and its subsidiaries plan annual training programs and provide training budgets according to the training needs of employees and the future development of the Company. This enables our employees to improve their professional skills and understand the functions required by the industry in which the Company is located, help them develop their potential and achieve their best, thereby creating an environment in which they can coexist and prosper with the Company.

3. Retirement system and implementation status

In accordance with the Labor Pension Act, the Company and its subsidiaries make monthly contributions of 6% of the employees' monthly wages to the employees' individual accounts at the Labor Insurance Bureau corresponding the wage grading scale prescribed by the government, and employees may voluntarily make additional contributions within 6% of their monthly wages.

4. Agreement between labor and management

The Company and its subsidiaries emphasize rationalized and humanized management, and establish smooth communication channels to maintain good relations between employers and employees, create productivity, share profits, and to establish stable and harmonious labor relations.

5. Employee rights protection measures

The Company and its subsidiaries shall protect the rights and interests of employees and implement the welfare system in accordance with laws and regulations and the Company's management rules.

(II) For the most recent year and up to the date of printing of the annual report, the losses suffered by the Company as a result of labor disputes, the estimated amount for now and in the future and any response measures, and state the items that cannot be reasonably estimated: None.

VI. Important Contracts

Nature of the Contract	Party to the Contract	Date of contract commencement	Main Content	Restrictive Provisions
Financing Contract	Chang Hwa Bank	2020.08.31-2021.08.31	Short-term Credit Agreement	None
Financing Contract	Chang Hwa Bank	2019.12.23-2034.12.23	Long-term Secured bank loans	None
Financing Contract	CTBC Bank	2020.06.30-2023.06.30	Unsecured bank loans	None
Contract Manufacturing and Inspection Contracts	Eisai Co., Ltd.	2019.01.01~2023.12.31	CMO and testing of specific pharmaceutical products for human use, etc.	The Company has entered into a five-year long-term CMO contract and agreed on the target demand, lot size and minimum order quantity for each year with Eisai
Distribution agreement	Hoan Pharmaceuticals Ltd.	2019.01.01~2023.12.31	We distribute and sell Hoan related Danish Lundbeck products for the central nervous system	None
Distribution agreement	Eisai Co., Ltd.	2019.04.01~2021.03.31	Our company distributes the Chocola BB Series, Juvelux, Saclon, Youbulifu, SAHNE, SAHNE Aloe Vera Lotion	If the Company's annual purchase amount does not meet the "purchase plan amount," Eisai may evaluate whether to terminate this agreement.
Distribution agreement	SSP Co., Ltd.	2020.07.15~2023.07.14	The agreement is by and between the Company, SSP, Chin Teng and Best Ocean. The Company obtains exclusive marketing for SSP in Taiwan. The Company distributes Esfight tablets, S.S. Bron tablets, S.S. Bron syrup, S.S. Buron syrup, S.S. Sporty solution, and Picosulu tablets.	This agreement shall be effective as three years. Unless either party terminates by written notice up to 180 days before the expiration of this contract, or this contract will be automatically extended for one year.

Nature of the Contract	Party to the Contract	Date of contract commencement	Main Content	Restrictive Provisions
Distribution agreement	Grapevine Enterprise	2018.01.01~2020.12.31	Our company distributes LARK-C tablets and other pharmaceutical products	If either party does not raise any objections up to 30 days before the expiration of this contract, this contract will be automatically extended for one year.
Distribution agreement	Beringia Ingelheim Taiwan Co.	2020.01.01~2022.12.31	Our company distributes Boehringer Ingelheim's Lendormin 250mcg medicine	None
Contract Manufacturing and Distribution agreement	Impax Laboratories Inc. (Amneal)	CMO contract 2021.01.01~2025.12.31 Distribution agreement 2021.01.01~2025.12.31	The Company is authorized to manufacture human drug products and to distribute RYTARY, a brand name drug for Parkinson's disease.	None
Contract Manufacturing and Supply agreement	GlaxoSmithKline Inc. (GSK)	CMO contract 2020.12.01~2025.12.01	The Company is authorized to manufacture prescription and OTC drugs and healthcare products.	None

F. Financial Overview

I. A condensed balance sheet and consolidated income statement for the last five years, with the name of the accountant and accompanying audit opinion

(I) Condensed Balance Sheet and Consolidated Income Statement

1. Condensed Balance Sheet - International Financial Reporting Standards (IFRSs)

(1) Consolidated

Unit: NTD thousands

Item		Financial Data for the Most Recent Five Years (Note 1)					For the year ended March 31, 2021
		2016	2017	2018	2019	2020	
Current assets		316,424	485,366	1,016,890	1,246,259	2,626,542	3,394,296
Property, plant and equipment		416,318	413,895	1,149,952	1,738,321	3,818,782	3,810,425
Intangible assets		1,713	1,557	2,437	18,469	4,930	25,596
Other assets		10,221	5,334	62,707	379,575	553,925	600,385
Total assets		744,676	906,152	2,231,986	3,382,624	7,004,179	7,830,702
Current liabilities	Before distribution	72,191	92,146	377,858	557,046	2,286,061	2,719,182
	After distribution	93,284	105,146	466,351	640,300	Note 2	Note 2
Non-current liabilities		198,944	181,803	533,248	1,171,827	2,253,354	2,297,563
Total liabilities	Before distribution	271,135	273,949	911,106	1,728,873	4,539,415	5,016,745
	After distribution	292,228	286,949	999,599	1,812,127	Note 2	Note 2
Equity attributed to the owners of the parent company		473,541	615,527	1,320,880	1,653,751	2,464,764	2,813,957
Capital stock		233,480	264,620	294,620	394,272	541,154	541,154
Capital surplus		205,261	335,725	575,557	676,232	951,647	954,966
Retained earnings	Before distribution	40,626	33,552	462,655	590,722	961,012	1,295,452
	After distribution	19,533	20,552	374,162	507,468	Note 2	Note 2
Other equity		-	-	(4,900)	(5,071)	10,951	22,385
Treasury stock		(5,826)	(18,370)	(7,052)	(2,404)	-	-
Non-controlling equity		-	16,676	-	-	-	-
Total equity	Before distribution	473,541	632,203	1,320,880	1,653,751	2,464,764	2,813,957
	After distribution	452,448	619,203	1,232,387	1,570,497	Note 2	Note 2

Note 1: The above financial information has been audited and verified by our accountant.
Note 2: The 2020 earning distribution case is to be approved by the shareholders' meeting.

(2) Individual

Unit: NTD thousands

Item \ Year		Financial Data for the Most Recent Five Years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		196,743	334,729	1,183,001	1,088,126	1,280,323
Property, plant and equipment		416,318	412,049	398,657	1,046,844	1,038,833
Intangible assets		1,149	604	577	544	2,801
Other assets		147,848	112,511	157,326	456,804	1,383,173
Total assets		762,058	859,893	1,739,561	2,592,318	3,705,130
Current liabilities	Before distribution	89,549	62,539	164,146	300,209	645,415
	After distribution	110,642	75,539	252,639	383,463	Note 2
Non-current liabilities		198,968	181,827	254,535	638,358	594,951
Total liabilities	Before distribution	288,517	244,366	418,681	938,567	1,240,366
	After distribution	309,610	257,366	507,174	1,021,821	Note 2
Equity attributed to the owners of the parent company		473,541	615,527	1,320,880	1,653,751	2,464,764
Capital stock		233,480	264,620	294,620	394,272	541,154
Capital surplus		205,261	335,725	575,557	676,232	951,647
Retained earnings	Before distribution	40,626	33,552	462,655	590,722	961,012
	After distribution	19,533	20,552	374,162	507,468	Note 2
Other equity		-	-	(4,900)	(5,071)	10,951
Treasury stock		(5,826)	(18,370)	(7,052)	(2,404)	-
Non-controlling equity		-	-	-	-	-
Total equity	Before distribution	473,541	615,527	1,320,880	1,653,751	2,464,764
	After distribution	452,448	602,527	1,232,387	1,570,497	Note 2

Note 1: The above financial information has been audited and verified by our accountant.
Note 2: The 2020 earning distribution case is to be approved by the shareholders' meeting.

2.Condensed Balance Sheet - International Financial Reporting Standards (IFRSs)

(1) Consolidated

Unit: NTD thousands

Year / Item	Financial Data for the Most Recent Five Years (Note 1)					For the year ended March 31, 2021
	2016	2017	2018	2019	2020	
Operating revenue	283,256	357,823	1,372,428	1,529,216	1,799,570	1,367,056
Gross profit	118,998	125,999	445,451	643,034	703,884	601,537
Operating profit and loss	30,576	18,591	187,390	344,846	226,077	449,798
Non-operating income and expenses	(2,872)	(800)	229,167	(19,496)	369,322	3,082
Net profit before tax	27,704	17,791	486,557	325,350	595,399	452,880
Net profit from continuing operations in current period	24,571	15,345	444,651	305,031	578,426	334,440
Loss from discontinued operations	-	-	-	-	-	-
Current period net profit (loss)	24,571	15,345	444,651	305,031	578,426	334,440
Other consolidated income of the current period (after income tax)	-	-	(4,900)	(171)	16,022	11,434
Total comprehensive income for the period	24,571	15,345	439,751	304,860	594,448	345,874
Net profit attributable to owners of the parent company	24,571	14,019	442,843	305,031	578,426	334,440
Net profit attributable to non-controlling equity	-	1,326	1,808	-	-	-
Total comprehensive income attributed to the owners of the parent company	24,571	14,019	437,943	304,860	594,448	345,874
Total comprehensive income attributed to non-controlling equity	-	1,326	1,808	-	-	-
Earnings per share	1.05	0.56	16.18	6.08	10.76	6.18

Note 1: The above financial information has been audited and verified by our accountant.

(1) Individual

Unit: NTD thousands

Item \ Year	Financial Data for the Most Recent Five Years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	236,103	283,081	329,766	378,139	389,794
Gross profit	97,165	92,740	76,345	126,752	93,971
Operating profit and loss	10,699	1,486	(73,983)	(16,737)	(77,408)
Non-operating income and expenses	16,746	13,992	574,249	334,243	658,097
Net profit before tax	27,445	15,478	500,266	317,506	580,689
Net profit from continuing operations in current period	24,571	14,019	442,843	305,031	578,426
Loss from discontinued operations	-	-	-	-	-
Current period net profit (loss)	24,571	14,019	442,843	305,031	578,426
Other consolidated income of the current period (after income tax)	-	-	(4,900)	(171)	16,022
Total comprehensive income for the period	24,571	14,019	437,943	304,860	594,448
Earnings per share	1.05	0.56	16.18	6.08	10.76

Note 1: The above financial information has been audited and verified by our accountant.

(II) Condensed Balance Sheets and Consolidated Statements of Income - R.O.C. Financial Accounting Standards

The Company has adopted IFRSs since 2014 for the preparation of its financial statements; therefore, they are not applicable.

(III) Names of auditors and audit opinions for the most recent 5 years

Year	Name of the CPA Firm	Name of certified public accountants:	Audit Opinion
2016	Ernst & Young, Taiwan	Fuh, Wen Fun, Lin, Li Huang	Unqualified opinion
2017	Ernst & Young, Taiwan	Fuh, Wen Fun, Lin, Li Huang	Unqualified opinion

2018	Ernst & Young, Taiwan	Fuh, Wen Fun, Lin, Li Huang	Unqualified opinion
2019	Ernst & Young, Taiwan	Fuh, Wen Fun, Lin, Li Huang	Unqualified opinion
2020	Ernst & Young, Taiwan	Fuh, Wen Fun, Lin, Li Huang	Unqualified opinion

II. Financial Analysis for the Most Recent Five Years

(I) Financial Analysis - International Financial Reporting Standards IFRS

(1) Consolidated Financial Statements

Analysis Item		Financial Analysis for the Most Recent Five Years (Note 1)					For the year ended March 31, 2021
	Year	2016	2017	2018	2019	2020	
Financial structure%	Debt to assets ratio	36.41	30.23	40.82	51.11	64.81	64.07
	Long-term capital to property, plant and equipment ratio	161.53	196.67	161.24	137.06	112.76	122.59
Solvency %	Current ratio	438.32	526.74	269.12	223.73	114.89	124.83
	Quick ratio	362.02	442.73	205.14	166.84	63.42	83.22
	Interest protection multiples	7.05	6.41	34.70	23.38	28.10	35.58
Operation Capability	Receivables turnover (times)	3.08	2.98	7.86	5.48	4.10	6.10
	Average collection period	119	123	46	67	89	60
	Inventory turnover (times)	4.06	3.92	7.47	3.78	1.60	2.85
	Payables turnover (times)	6.12	7.91	20.31	13.99	7.77	12.98
	Average days of sales	90	94	49	96	(Note5)228	128
	Turnover (times) of real estate properties, plants and equipment	0.68	0.86	1.76	0.95	0.58	1.31
	Total assets turnover (times)	0.35	0.43	0.87	0.54	0.35	0.74
Profitability	Return on assets (%)	3.52	2.19	29.07	11.28	11.48	18.60
	Return on equity (%)	5.22	2.78	45.53	20.51	28.09	50.69

	Pre-tax profit to paid-in capital ratio (%)	11.87	6.72	165.15	82.52	110.02	334.75
	Net profit margin (%)	8.67	4.29	32.40	19.94	33.03	25.3
	Earnings per share (NTD)	1.05	0.56	16.18	6.08	10.76	6.18
Cash Flow	Cash flow ratio (%)	Note 2	21.41	44.25	41.61	7.78	Note2
	cash flow adequacy ratio (%)	Note 2	0.83	19.59	25.08	17.2	15.37
	Cash reinvestment ratio (%)	Note 3	Note 3	7.76	5.11	1.99	Note2
Leverage	Operating leverage	1.65	2.11	1.96	1.55	1.93	1.09
	Financial leverage	1.18	1.21	1.08	1.04	1.11	1.03

Please state the reasons for the changes in each financial ratio for the last two years: (20% change in the previous and subsequent periods)

1. Debt to assets ratio, current ratio and quick ratio. The increase in short-term borrowings in 2020 is mainly due to operational requirements.
2. Interest coverage, net income ratio and earnings per share:
   This is mainly due to the higher net income in 2020 as a result of the gains on bargain purchases from mergers and acquisitions.
3. Receivables turnover rate and average number of collection days:
   This is mainly due to the acquisition of GlaxoSmithKline Inc' (GSK) operating assets in December 2020 and the acquisition of all accounts receivable from the plant, resulting in a significant increase in accounts receivable at the end of the period.
4. Inventory turnover rate, average sales days and turnover rate of accounts payable:
   This is mainly due to the acquisition of operating assets in Canada in December 2020 and the acquisition of all inventory from the facility, resulting in a significant increase in inventory at the end of the period.
5. Property, plant and equipment turnover, total asset turnover, return on assets, cash flow ratio, cash flow fair ratio and cash reinvestment ratio:
   This is mainly due to the acquisition of operating assets in Canada in December 2020, resulting in a significant increase in property, plant, equipment, and total assets at the end of the period.
6. Return on equity and net income before income tax to paid-in capital ratio:
   The increase in shareholders' equity was mainly due to the increase in cash capital in 2020 and the higher net income due to the gains on bargain purchases from mergers and acquisitions.
7. Operating leverage: The decrease in operating income was mainly due to a one-time charge arising from the 2020 merger and acquisition.

Note 1: The financial statements have been prepared in accordance with the rules governing the audit of financial statements by certified public accountants.

Note 2: The negative cash flow from operating activities is insignificant for comparison purposes. Therefore the relevant ratio is not shown.

Note 3: The cash activity reinvestment ratio is negative and has no comparative significance, so the relevant ratios are not listed.

Note 4: The above formulae are presented in detail in the individual financial analysis - using Note 5 of IFRSs.

Note 5: The rate was mainly due to a one-time acquisition of GlaxoSmithKline Inc'(GSK) productive inventory from merger and acquisition.

(2) Individual Financial Statements

Analysis Item	Year	Financial Analysis for the Most Recent Five Years (Note 1)				
		2016	2017	2018	2019	2020
Financial structure%	Debt to assets ratio	37.86	28.42	24.07	36.21	33.48
	Long-term capital to property, plant and equipment ratio	161.54	193.51	395.18	212.94	286.94
Solvency %	Current ratio	219.70	535.23	720.70	362.46	362.46
	Quick ratio	134.69	442.95	677.97	338.22	187.96
	Interest protection multiples (times)	6.92	5.55	56.72	96.55	64.13
Operating performance	Receivables turnover (times)	3.28	3.35	3.29	3.24	3.39
	Average collection period	111	109	111	113	108
	Inventory turnover (times)	4.22	5.21	8.06	5.41	5.55
	Payables turnover (times)	5.31	8.14	8.29	5.70	7.52
	Average days of sales	87	71	45	67	66
	Turnover (times) of real estate properties, plants and equipment	0.57	0.68	0.81	0.51	0.36
	Total assets turnover (times)	0.29	0.35	0.25	0.17	0.12
Profitability	Return on assets (%)	3.49	2.08	34.62	14.21	18.60
	Return on equity (%)	5.22	2.57	45.74	20.51	28.09
	Pre-tax profit to paid-in capital ratio (%)	11.75	5.85	169.80	80.53	107.31
	Net profit margin (%)	10.41	4.95	134.29	80.67	148.39
	Earnings per share (NTD)	1.05	0.56	12.44	6.08	10.76
Cash Flow	Cash flow ratio (%)	15.77	24.12	Note 2	3.41	6.17
	cash flow adequacy ratio (%)	3.15	8.11	3.12	0.92	2.40
	Cash reinvestment ratio (%)	1.95	Note 3	Note 3	Note 3	Note 3
Leverage	Operating leverage	2.85	14.50	Note 4	Note 4	Note 4
	Financial leverage	1.77	Note 4	Note 4	Note 4	Note 4

Please state the reasons for the changes in each financial ratio for the last two years: (20% change in the previous and subsequent periods)

1. Long-term capital to property, plant and equipment ratio, current ratio and quick ratio:
   The increase in short-term borrowings in 2020 is mainly due to operational requirements.
2. Interest protection multiples: The increase in interest expense is mainly due to the increase in short-term borrowings in 2020.
3. Payables turnover:
   Mainly due to the change of payment term.
4. Property, plant and equipment turnover, total asset turnover, return on assets and cash flow ratio:
   Mainly due to the increase in average property, plant and equipment in 2020 as a result of the acquisition of office buildings at the end of 2019 and the significant increase in total assets as a result of the increase in investments using the equity method in 2020.
5. Return on equity and net income before income tax to paid-in capital ratio:
   Mainly due to increase in shareholders' equity as a result of higher net income caused by the increase in cash capital and equity-method investment income in 2020.
6. Net income ratio and earnings per share:
   Mainly due to the higher net income in 2020 as a result of the increase in investment income under the equity method.

Note 1: The financial statements have been prepared in accordance with the rules governing the audit of financial statements by certified public accountants.

Note 2: The negative cash flow from operating activities is insignificant for comparison purposes. Therefore, the relevant ratio is not shown.

Note 3: The cash activity reinvestment ratio is negative and has no comparative significance, so the relevant ratios are not listed.

Note 4: Operating income is negative and is insignificant for comparison; therefore, the relevant ratio is not shown.

Note 5: The analysis formula of the items is as follows:

1. Financial structure
   (1) Debt-to-assets ratio = total liabilities / total assets.
   (2) Long-term fund ratio for property, plant, and equipment = (total equity + non-current liabilities) / net for property, plant, and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
   (3) Interest protection multiples = earnings before interest expense and net income / interest expense.
3. Operating performance
   (1) Receivables (including accounts receivable and notes receivable arising from operation) turnover ratio = net sales / average receivables (including accounts receivable and notes receivable arising from operation) balances.
   (2) Average collection period = 365 / receivables turnover.
   (3) Inventory turnover = cost of goods sold / average inventory.
   (4) Payable (including accounts payable and notes payable arising from operation) turnover ratio = cost of goods sold / average payables (including accounts payable and notes payable arising from operation) balances.
   (5) Average days of sales = 365 / inventory turnover.
   (6) Property, plant, and equipment turnover ratio = net sales / average net for property, plant, and equipment.
   (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
   (1) Return on assets = (net income + interest expenses × (1 - tax rate)) / average total assets.
   (2) Return on equity = income after tax/net average equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares issued.
5. Cash Flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = net cash flow from operating activities for the most recent years / most recent five years (capital expenditure + inventory + cash dividend).
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross profit

for property, plant, and equipment + long-term investments + other non-current assets + working capital

6. Leverage:
   (1) Operating leverage = (net operating income - variable operating cost and expenses) / operating income.
   (2) Financial leverage = operating income / (operating income - interest expenses).

(II) Financial Analysis - R.O.C. Financial Accounting Standards: The Company has adopted IFRSs since 2014 for the preparation of its financial statements; therefore, they are not applicable.

III. Audit committee's review report on the latest annual financial report

Bora Pharmaceuticals Co., Ltd.
Audit Committee's Review Report

The board of directors has submitted the Company's 2020 Financial Statements and Consolidated Financial Statements, and they have been audited by certified public accountants, Lin, Li Huang and Fuh, Wen Fun of Ernst & Young, Taiwan. Together with the Business Report and Profit Distribution Proposal, they have been reviewed by the Audit Committee and no non-compliance have been found. A report is hereby submitted in accordance with Article 219 of the Company Act.

Sincerely,

Bora Pharmaceuticals Co., Ltd. 2020 Annual General Shareholders' Meeting

Audit Committee convener: Lai Ming-Jung

March 30, 2021

IV. Consolidated financial statements for the most recent year audited by a certified public accountant

EY 安永
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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 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2020 and 2019, 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 2020 and 2019, and their consolidated financial performance and cash flows for the years ended 31 December 2020 and 2019, 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 2020 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 2020, the Group's net inventories amounted to NT$1,085,999 thousand, and constituted 16% of total consolidated assets, which were material to the consolidated financial statements. Considering the market demand and possible sales, management evaluated the obsolescence of raw materials, work in progress, and semi-finished goods by inventory aging.

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

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

Revenue Recognition

For the year ended 31 December 2020, the Group recognized NT$1,799,570 thousand as revenues, mainly coming from toll manufacturing, rendering services, prescription drug distribution and consumer healthcare products. As timing of revenue recognition varies among contract terms with customers, which involved management's significant judgment, we have determined this as a key audit matter.

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

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

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Business Combinations

On 1 December 2020, the Group acquired the target company's assets and related business via Bora Pharmaceutical Services Inc. for a consideration of NT$1,402,380 thousand, obtained identifiable net assets with fair value of NT$1,790,241 thousand, and recognized bargain purchase gain in the amount of NT$387,861 thousand.

As both the amount of this acquisition and bargain purchase gain were material, and involved determination of whether acquired assets and liabilities taken following the business combination constitute as business and measurement of fair value, we determined the acquisition as a key audit matter.

Our audit procedures included, but were not limited to, obtaining the relevant transaction agreement in asset acquisition; obtaining the individual asset valuation report and purchase price allocation report issued by external specialist employed by management; assessing the capability and objectivity of external specialist; inspecting and testing whether management recognized the transaction in accordance with IFRS 3 "Business Combination"; and using the internal specialist to assist in evaluating the reasonableness of the valuation methods and key assumptions used in individual asset valuation report provided by management and the fair value of identifiable net assets. We also evaluated the adequacy of disclosures of the business combination. Please refer to Note 6 to the Group's 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.

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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 2020 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2020 and 2019.

Fuh, Wen Fun

Lin, Li Huang

Ernst & Young, Taiwan

30 March 2021

Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of 31 December, 2020 and 2019

Unit: Thousands of New Taiwan Dollars

ASSETS	Notes	31 Dec. 2020	31 Dec. 2019
Current assets			
Cash and cash equivalents	IV&VI.1	$669,985	$452,679
Financial assets at fair value through profit or loss,current	IV&VI.2	64	60,305
Financial assets at amortized cost,current	IV&VI.3	-	30,000
Notes receivable,net	IV&VI.4.20	23,800	36,922
Notes receivable-related parties,net	IV&VI.4.20&VII	-	3,564
Accounts receivable,net	IV&VI.5.20	497,694	284,873
Accounts receivable-related parties,net	IV&VI.5.20&VII	18,136	12,971
Other receivables(including from related parties)	VI.9.27&VII	186,767	7,735
Inventories,net	IV&VI.6	1,085,999	284,129
Prepayments	VI.7	90,651	32,745
Other current assets	VI.8	53,446	40,336
Total current assets		2,626,542	1,246,259
Non-current assets			
Financial assets at amortized cost,noncurrent	IV&VI.3&VIII	34,153	11,400
Property, plant and equipment	IV&VI.9&VIII	3,818,782	1,738,321
Right-of-use assets	IV&VI.21	339,610	296,526
Investment property,net	IV&VI.10&VIII	25,839	26,673
Intangible assets	IV	4,930	18,469
Deferred tax assets	IV&VI.25	37,092	38,129
Prepayment for equipments	VI.9	107,394	3,137
Refundable deposits		9,837	3,710
Total non-current assets		4,377,637	2,136,365
Total assets		$7,004,179	$3,382,624

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of 31 December 2020 and 2019

Unit: Thousands of New Taiwan Dollars

LIABILITIES AND EQUITY	Notes	31 Dec. 2020	31 Dec. 2019
Current liabilities			
Short-term loans	VI.11	$1,217,646	$225,000
Financial liabilities at fair value through profit or loss,current	IV&VI.12	768	-
Contract liabilities,current	IV&VI.19	3,440	4,992
Notes payable		999	4,422
Notes payable-related parties	VII	-	3,315
Accounts payable		203,353	48,359
Accounts payable-related parties	VII	14,705	6,809
Other payables	VI.13&VII	398,154	142,456
Current tax liabilities	IV&VI.25	18,350	15,250
Provisions,current	IV&VI.16	245,000	20,134
Lease liability,current	IV&VI.21	18,678	8,596
Current portion of long-term liabilities	VI.14	161,647	75,160
Other current liabilities		3,321	2,553
Total current liabilities		2,286,061	557,046
Non-current liabilities			
Long-term loans	VI.14	1,157,972	818,989
Deferred tax liabilities	IV&VI.25	202,013	60,933
Provisions,noncurrent	IV&VI.16	566,264	-
Lease liability,noncurrent	IV&VI.21	325,368	290,168
Other noncurrent liabilities-others		1,737	1,737
Total non-current liabilities		2,253,354	1,171,827
Total liabilities		4,539,415	1,728,873
Equity attributable to the parent company	VI.17		
Capital			
Common stock		541,154	394,272
Capital surplus		951,647	676,232
Retained earnings			
Legal reserve		83,619	53,116
Special reserve		5,071	224,250
Unappropriated earnings		872,322	313,356
Subtotal		961,012	590,722
Other equity		10,951	(5,071)
Treasury stock		-	(2,404)
Total equity		2,464,764	1,653,751
Total liabilities and equity		$7,004,179	$3,382,624

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

For the years ended 31 December 2020 and 2019

Unit: Thousands of New Taiwan Dollars

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
Operating revenue	IV&VI.19&VII	$1,799,570	$1,529,216
Operating costs	VI.6.21.22&VII	(1,095,686)	(886,182)
Gross profit		703,884	643,034
Operating expenses	VI.20.21.22&VII		
Sales and marketing expenses		(141,242)	(99,417)
General and administrative expenses		(299,913)	(159,126)
Research and development expenses		(36,652)	(39,645)
Total operating expenses		(477,807)	(298,188)
Operating income		226,077	344,846
Non-operating income and expenses			
Other revenue	VI.23	15,395	3,428
Other gains and losses	VI.23	(11,961)	(8,387)
Financial costs	VI.23	(21,973)	(14,537)
Bargain purchase gain	IV&VI.27	387,861	-
Total non-operating income and expenses		369,322	(19,496)
Net income before income tax		595,399	325,350
Income tax expense	IV&VI.25	(16,973)	(20,319)
Net income		578,426	305,031
Other comprehensive income			
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of foreign operations	IV&VI.24	20,027	(214)
Income tax related to items to be reclassified subsequently to profit or loss	IV&VI.24.25	(4,005)	43
Total other comprehensive income, net of tax		16,022	(171)
Total comprehensive income		$594,448	$304,860
Net income attributable to:			
Stockholders of the parent		$578,426	$305,031
Non-controlling interests		$-	$-
Comprehensive income attributable to:			
Stockholders of the parent		$594,448	$304,860
Non-controlling interests		$-	$-
Earnings per share (NTD)	IV&VI.26		
Earnings per share-basic		$10.76	$6.08
Earnings per share-diluted		$10.67	$6.06

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2020 and 2019

Unit: Thousands of New Taiwan Dollars

Items	Equity attributable to the parent company								Total
			Retained Earnings			Other equitity			
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gain (Loss) on financial assets at fair value through other comprehensive income	Treasury stock	
Balance as of 1 January 2019	$294,620	$575,557	$8,832	$-	$453,823	$-	$(4,900)	$(7,052)	$1,320,880
Appropriation and distribution of 2018 retained earning									
Legal Reserve			44,284		(44,284)				-
Special Reserve				224,250	(224,250)				-
Cash dividends					(88,493)				(88,493)
Stock dividends	88,471				(88,471)				-
Net income for the year ended 31 December 2019	-	-	-	-	305,031	-	-	-	305,031
Other comprehensive income, for the year ended 31 December 2019					-	(171)			(171)
Total comprehensive income	-	-	-	-	305,031	(171)	-	-	304,860
Conversion of convertible bonds	11,181	84,832	-	-	-	-	-	-	96,013
Share-based payment transactions	-	15,843	-	-	-	-	-	4,648	20,491
Balance as of 31 December 2019	$394,272	$676,232	$53,116	$224,250	$313,356	$(171)	$(4,900)	$(2,404)	$1,653,751
Balance as of 1 January 2020	$394,272	$676,232	$53,116	$224,250	$313,356	$(171)	$(4,900)	$(2,404)	$1,653,751
Appropriation and distribution of 2019 retained earning									
Legal Reserve			30,503		(30,503)				-
Cash dividends					(83,254)				(83,254)
Stock dividends	$124,882				(124,882)				-
Reversal of Special Reserve				(219,179)	219,179				-
Net income for the year ended 31 December 2020	-	-	-	-	578,426	-	-	-	578,426
Other comprehensive income, for the year ended 31 December 2020	-	-	-	-	-	16,022	-	-	16,022
Total comprehensive income	-	-	-	-	578,426	16,022	-	-	594,448
Issuance of common stock for cash	22,000	246,705	-	-	-	-	-	-	268,705
Share-based payment transactions	-	28,710	-	-	-	-	-	2,404	31,114
Balance as of 31 December 2020	$541,154	$951,647	$83,619	$5,071	$872,322	$15,851	$(4,900)	$-	$2,464,764

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2020 and 2019

Unit: Thousands of New Taiwan Dollars

Items	For the year ended 31 December 2020	For the year ended 31 December 2019
Cash flows from operating activities:		
Net income before tax	$595,399	$325,350
Adjustments for:		
Income and expense adjustments:		
Depreciation	124,626	118,924
Amortization	16,401	691
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	903	(697)
Interest expense	21,973	14,537
Interest revenue	(961)	(2,451)
Share-based payment expenses	28,710	15,843
Loss on disposal of property, plant and equipment	2	1,134
Loss on disposal of other assets	-	150
Bargain gain	(387,861)	-
Total income and expense adjustments:	(196,207)	148,131
Changes in operating assets and liabilities:		
Notes receivable-net	13,122	22,729
Notes receivable-related parties-net	3,564	(3,564)
Trade receivables-net	(212,821)	(142,542)
Trade receivables-related parties-net	(5,165)	5,084
Inventories	(190,928)	(99,768)
Prepayments	(57,906)	9,296
Other receivables	(8,775)	(6,279)
Other current assets	(13,110)	(16,112)
Contract liabilities	(1,552)	(9,870)
Notes payable	(3,423)	(4,253)
Notes payable-related parties	(3,315)	(2,246)
Accounts payable	154,994	3,789
Accounts payable-related parties	7,896	1,842
Other payables	133,615	22,038
Contract liabilities	(15,276)	3,632
Other current liabilities	768	676
Cash generated from operations	200,880	257,933
Interest received	961	2,451
Income tax paid	(24,051)	(28,614)
Net cash provided by operating activities	177,790	231,770

Items	For the year ended 31 December 2020	For the year ended 31 December 2019
Cash flows from investing activities:		
Proceeds from disposal of financial assets at amortized cost	7,247	2,000
Acquisition of financial assets at fair value through profit or loss	-	(60,000)
Proceeds from disposal of financial assets at fair value through profit or loss	60,106	-
Acquisition of subsidiary (net of cash acquired)	(1,382,901)	(58,921)
Acquisition of property, plant and equipment	(44,973)	(697,331)
Disposal of property, plant and equipment	137	1,326
Increase in refundable deposits	(6,127)	(4)
Other receivables	(64,430)	-
Acquistion of intangible assets	(2,862)	(1,390)
Acquisition of investment property	-	(26,673)
Increase in prepayment for equipments	(104,257)	-
Decrease in prepayment for equipments	-	13,507
Net cash used in investing activities	(1,538,060)	(827,486)
Cash flows from financing activities:		
Increase in short-term borrowings	992,646	215,000
Borrow in long-term borrowings	540,619	534,000
Reimburse long-term borrowings	(115,149)	(92,278)
Reimburse lease principal	(9,433)	(10,137)
Increase in other current liabilities	-	1,512
Cash dividends	(83,254)	(88,493)
Treasury stock sold to employees	2,404	4,648
Interest paid	(18,990)	(13,245)
Proceeds from issuance of common stock	268,705	-
Net cash provided by financing activities	1,577,548	551,007
Effect of exchange rate changes on cash and cash equivalents	28	(214)
Net Increase (decrease) in cash and cash equivalents	217,306	(44,923)
Cash and cash equivalents at beginning of period	452,679	497,602
Cash and cash equivalents at end of period	$669,985	$452,679

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

I. History and organization

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

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

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December 2020 and 2019 were authorized for issue by the Board of Directors on 30 March 2021.

III. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

The Group elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after 1 January 2020, and in accordance with the requirements of the transition. 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. Please refer to Note VI for disclosure related to the lessee which required by the amendment.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023

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

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

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

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

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 June 2020. 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) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

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

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

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

Amendment to IFRS 9 Financial Instruments

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

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

Amendment to IAS 41

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

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

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

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

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

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

IV. Summary of significant accounting policies

1. Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2020 and 2019 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 statement

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 (%) 31 Dec. 2020	Percentage of Ownership (%) 31 Dec. 2019
The Company	Union Chemical & Pharmaceutical Co., Ltd.	Pharmaceutical Manufacturing and wholesale	100%	100%
The Company	Yuta Health Co., Ltd.	Pharmaceutical wholesale and healthcare product wholesale	100%	100%
The Company	Bora Pharmaceutical Laboratories Inc.	Pharmaceutical Manufacturing and CDMO	100%	100%
The Company	Bora Pharmaceuticals USA Inc.	Pharmaceutical wholesale	100%	100% (Note 1)
The Company	Bora Pharmaceutical Services Inc.	Pharmaceutical Manufacturing and CDMO	50% (Note 2)	-
Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	Pharmaceutical Manufacturing and CDMO	50% (Note 2)	-

Note 1: The Group registered and established Bora Pharmaceuticals USA Inc. with a capital of USD 500 thousand in the United State in November 2019.

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

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. 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.

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 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 note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet 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.

<u>Financial asset measured at fair value through other comprehensive income</u>

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.

<u>Financial asset measured at fair value through profit or loss</u>

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.

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.

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 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 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

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	2～16 years
Testing equipment	3～10 years
Transportation equipment	5～ 6 years
Office equipment	2～10 years
Leasehold improvements	5～10 years
Miscellaneous equipment	2～11 years

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

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

13. Investment property

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 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. The Group have applied the practical expedient to all rent concessions that meet the conditions for it.

Group as a lessor

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

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

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

15. Intangible assets

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

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

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

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

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

Research and development costs

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

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

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

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

Category	Software	Exclusive technology	Drug Lice nses
Useful lives	5 years	5 years	1 to 3 years
Amortization methods	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 when additional payments arose on employees' cumulative and unused day-off obligations at the reporting days.

18. Treasury stock

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

19. Revenue recognition

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

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

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 receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. However, for some contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the products subsequently; accordingly, these amounts are recognized as contract liabilities.

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

Toll manufacturing

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

20. Borrowing costs

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

21. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. 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.

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

22. Shared-based payment transactions

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

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

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

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

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

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

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

23. Income taxes

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred tax

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

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

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

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

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

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

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

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

24. Business combinations and goodwill

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

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

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

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

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

V. Significant accounting judgements, estimates and assumptions

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

(1) Judgement

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

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

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

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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

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

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

(d) Accounts receivables–estimation of impairment loss

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

(e) Share-based payment transactions

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

(f) Assessment to goodwill arising from business combinations

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

VI. Contents of significant accounts

1. Cash and cash equivalents

	31 Dec. 2020	31 Dec. 2019
Cash on hand & demand deposits	$669,985	$452,679

2. Financial assets at fair value through profit or loss－Current

	31 Dec. 2020	31 Dec. 2019
Mandatorily measured at fair value through profit or loss：		
Fund	$-	$60,014
Derivatives not designated as hedging instruments －Forward foreign exchange agreements	64	291
Total	$64	$60,305
Current	$64	$60,305

Financial assets at fair value through profit or loss－Current were not pledged.

3. Financial assets measured at amortized cost

	31 Dec. 2020	31 Dec. 2019
Time deposits	$-	$30,000
Time deposits－Pledged	34,153	11,400
Total	$34,153	$41,400
Current	$-	$30,000
Non-current	34,153	11,400
Total	$34,153	$41,400

The Group classified certain financial assets as financial assets measured at amortized cost.

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

4. Notes Receivable

	31 Dec. 2020	31 Dec. 2019
Note receivables from operating (total carrying amount)	$23,800	$36,922
Less: loss allowance	-	-
Subtotal	23,800	36,922
Note receivables from related parties (total carrying amount)	-	3,564
Less: loss allowance	-	-
Subtotal	-	3,564
Total	$23,800	$40,486

Note receivables were not overdue and not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note VI.20 for more details on loss allowance and Note XII for details on credit risk.

5. Accounts receivables and Accounts receivables-related parties

	31 Dec. 2020	31 Dec. 2019
Accounts receivables (total carrying amount)	$498,921	$286,940
Less: loss allowance	(1,227)	(2,067)
Subtotal	497,694	284,873
Accounts receivable from related parties(total carrying amount)	18,136	12,971
Less: loss allowance	-	-
Subtotal	18,136	12,971
Total	$515,830	$297,844

Accounts receivables were not pledged.

Accounts receivables are generally on 30~180-day terms. The total carrying amount as of 31 December 2020 and 31 December 2019 are NT$517,057 thousand and NT$299,911 thousand, respectively. Please refer to Note VI.20 for more details on loss allowance of accounts receivables for the years ended 31 December 2020 and 2019. Please refer to Note XII for more details on credit risk management.

6. Inventories

(1) Details on net inventories are as follows:

	31 Dec. 2020	31 Dec. 2019
Raw materials	$652,218	$106,417
Supplies & parts	2,617	2,938
Work in progress	227,350	16,008
Semi-finished goods	900	3,105
Finished goods	133,692	92,403
Merchandise	69,222	63,258
Total	$1,085,999	$284,129

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

	For the year ended 31 December	
	2020	2019
Cost of goods sold	$1,092,094	$894,331
Inventories shortage (overage)	14	(284)
Write-down of inventories loss (gains from price recovery)	3,578	(7,865)
Total	$1,095,686	$886,182

(3) The cost of inventories recognized in expenses amounted to NT$1,095,686 thousand and NT$886,182 thousand for the years ended 31 December 2020 and 2019, respectively, including the write-down of inventories to the net realizable value in the amount of NT$3,578 thousand and gains from the reversal of write-down of obsolete inventories in the amount of NT$(7,865) thousand from price recovery for the years ended 31 December 2020 and 2019, respectively.

(4) No Inventories were pledged.

7. Prepayments

	31 Dec. 2020	31 Dec. 2019
Prepayment for purchases	$25,823	$12,981
Prepayment for distribution rights	13,500	2,000
Prepaid rent	375	5,814
Prepaid insurance	5,171	3,190
Others	45,782	8,760
Total	$90,651	$32,745

8. Other current assets

	31 Dec. 2020	31 Dec. 2019
Payment on behalf of others (Note)	$37,174	$39,449
Temporary payments	6,077	533
Others	10,195	354
Total	$53,446	$40,336

Note: Payment on behalf of others is from the Group’s purchases of materials on behalf of the Group’s OEM clients.

9. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
1 Jan. 2020	$889,813	$719,278	$336,526	$15,638	$570	$4,143	$8,103	$39,378	$-	$2,013,449
Acquisitions through business combinations	1,108,014	597,977	348,932	57,634	-	-	-	-	-	2,112,557
Additions	4,315	2,756	27,489	1,120	-	51	-	9,242	-	44,973
Disposals	-	(545)	(2,007)	-	-	(17)	-	(3,269)	-	(5,838)
Exchange differences	18,497	9,944	5,929	958	-	-	-	-	-	35,328
31 Dec. 2020	$2,020,639	$1,329,410	$716,869	$75,350	$570	$4,177	$8,103	$45,351	$-	$4,200,469
1 Jan. 2019	$299,335	$677,896	$283,981	$14,630	$586	$3,862	$8,103	$36,495	$6,461	$1,331,349
Addition	590,478	31,999	61,122	1,008	-	317	-	9,054	3,353	697,331
Disposal	-	(346)	(8,577)	-	(16)	(36)	-	(6,256)	-	(15,231)
Transfers	-	9,729	-	-	-	-	-	85	(9,814)	-
31 Dec. 2019	$889,813	$719,278	$336,526	$15,638	$570	$4,143	$8,103	$39,378	$-	$2,013,449
Depreciation and impairment:										
1 Jan. 2020	$-	$80,024	$155,403	$8,355	$452	$2,920	$6,165	$21,809	$-	$275,128
Depreciation	-	33,486	69,468	2,187	24	358	558	6,081	-	112,162
Disposals	-	(519)	(1,947)	-	-	(14)	-	(3,219)	-	(5,699)
Exchange differences	-	24	59	13	-	-	-	-	-	96
31 Dec. 2020	$-	$113,015	$222,983	$10,555	$476	$3,264	$6,723	$24,671	$-	$381,687
1 Jan. 2019	$-	$49,107	$96,258	$6,842	$441	$2,572	$5,607	$20,570	$-	$181,397
Depreciation	-	31,209	66,114	1,513	24	384	558	6,700	-	106,502
Disposals	-	(292)	(6,969)	-	(13)	(36)	-	(5,461)	-	(12,771)
31 Dec. 2019	$-	$80,024	$155,403	$8,355	$452	$2,920	$6,165	$21,809	$-	$275,128
Net carrying amount as at:										
31 Dec. 2020	$2,020,639	$1,216,395	$493,886	$64,795	$94	$913	$1,380	$20,680	$-	$3,818,782
31 Dec 2019	$889,813	$639,254	$181,123	$7,283	$118	$1,223	$1,938	$17,569	$-	$1,738,321

(1) Components of building that have different useful lives are main building structure, relevant constructions (such as air conditioning units and electrical machinery), which are depreciated over 20 to 50 years and 8 to 10 years, respectively.
(2) Interests were not capitalized in 2020 and 2019.
(3) Please refer to Note VIII for more details on pledges of property, plants, and equipment
(4) Please refer to Note VI.10 for more details on the purchase of office buildings in 2019 for the purpose of operations, for which parts of them for leasing has been recognized as investment property in proportion, and the rests are for private use.
(5) The Group's receivable from subsidizing GlaxoSmithKline Inc 's system construction amounted to NT$64,430 thousand, recognized as other receivables.

10. Investment property

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

	Buildings
Cost:	
1 Jan. 2020	$26,673
Additions from acquisitions	-
31 Dec. 2020	$26,673
1 Jan. 2019	$-
Additions from acquisitions	26,673
31 Dec. 2019	$26,673
Depreciation and impairment:	
1 Jan. 2020	$-
Depreciation	834
31 Dec. 2020	$834
1 Jan. 2019	$-
Depreciation	-
31 Dec. 2019	$-
Net carrying amount as at:	
31 Dec. 2020	$25,839
31 Dec. 2019	$26,673

	2020	2019
Net income from investment property	$6,614	$125

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

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties is NT$73,714 thousand and NT$57,378 thousand, as at 31 December 2020 and 31 December 2019, respectively. The fair value has been determined based on valuations performed by an independent valuer. The valuation methods used are the income approach and comparison approach, and the inputs used are as follows:

Income approach:

	31 Dec. 2020	31 Dec. 2019
Net income margin	$105,212	$44,525
Capitalization rate	2.13%	1.62%

Comparison approach:

	31 Dec. 2020	31 Dec. 2019
Regional factors	100%	96%-100%
Individual factors	92%-96%	96%-100%

11. Short-term borrowings

	Interest rates (%)	31 Dec. 2020	31 Dec. 2019
Unsecured bank loans	1.20%~1.81%	$419,500	$225,000
Secured bank loans	1.15%~2.39%	798,146	-
Total		$1,217,646	$225,000

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

12. Financial liabilities at fair value through profit or loss

	31 Dec. 2020	31 Dec. 2019
Held for transaction:		
Derivatives not designated as hedging instruments－		
Forward foreign exchange agreements	$768	$-

13. Other payables

	31 Dec. 2020	31 Dec. 2019
Investments payable	$119,100	$-
Salaries payable	65,692	32,665
Employees' and directors' remuneration payable	17,972	15,576
Equipment payable	6,864	4,654
Bonus payable	36,926	8,356
Repair and maintenance payable	15,985	6,467
Professional service fees payable	35,068	1,676
Property taxes payable	13,560	-
Facility management fees payable	15,566	-
Interests payable	3,165	182
Other payable	68,256	72,880
Total	$398,154	$142,456

14. Long-term borrowings

Details of long-term loans as at 31 December 2020 and 31 December 2019 are as follows:

Lenders	31 Dec. 2020	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa secured bank loans	$534,000	1.11%	23 December 2019 to 23 December 2034. Principal and interests are repaid by 156 monthly payments, starting from 23 December 2021 to the maturity date, 23 December 2034.
CTBC secured bank loans	245,000	1.3365%	30 June 2020 to 30 June 2023. From 30 September 2020 to the maturity date, 30 June 2023, principal is repaid by quarterly payments of NT$17,500 thousand, with the balance paid in full upon maturity. Interest rate is floating rate.
CTBC syndicated bank loans	558,750	2.39%	27 November 2020 to 27 November 2025. Principal and interests are repaid by 19 quarterly payments, starting from 26 May 2021 to the maturity date, 27 November 2025.
Subtotal	1,337,750		
Less: unamortized issuance cost	(18,131)		
Subtotal	1,319,619		
Less: current portion	(161,647)		
Total	$1,157,972		

Lenders	31 Dec. 2019	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa secured bank loans	$45,149	1.55%	27 September 2013 to 27 September 2028. Principal and interests are repaid by 144 monthly payments, starting from 27 September 2016 to the maturity date, 27 September 2028.
Chang Hwa secured bank loans	534,000	1.36%	23 December 2019 to 23 December 2034. Principal and interests are repaid by 156 monthly payments, starting from 23 December 2021 to the maturity date, 23 December 2034.
CTBC secured bank loans	315,000	1.50%	31 March 2018 to 31 March 2021. From 31 March 2018 to the maturity date, 31 March 2021, principal is repaid by quarterly payments of NT$17,500 thousand, with the balance paid in full upon maturity.
Subtotal	894,149		
Less: current portion	(75,160)		
Total	$818,989		

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

(2) The secured loan with Chang Hwa Bank amounting to NT$45,149 thousand as at 31 December 2019, has been repaid in full on the first half of 2020.

(3) The aforementioned secured loan by Bora Pharmaceutical Laboratories Inc. (the "Borrower") with CTBC Bank that should be repaid in full by March 2021, has been extended to 30 June 2023, with quarterly payments of NT$17,500 thousand, in accordance with the initial terms of repayment. With the effective loan agreement and by the repayment in full to the loan, the Company (the "Guarantor") should maintain these ratios based on audited or reviewed financial statements, which will be reviewed every half year:

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

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

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

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

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

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

a. Terminate the loan or reduce the amount.

b. Shortening the credit period of the loan.

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

(4) In the fourth quarter of 2020, the Company (the "Guarantor") and the Company's subsidiary, Bora Pharmaceutical Service Inc. (the "Borrower"), reached a syndicated loan agreement with CTBC Bank (the Agent) and other 13 banks, amounting to NT$558,750 thousand (CAD25,000 thousand). The aim of the loan agreement is to provide the Borrower with the capital to purchase operating assets. The period of the loan agreement starts from the utilizing day of the loan that is within 6 months from the sign-up date, to 5 years later until the maturity date. As of 31 December 2020, the credit facility of syndicated loan amounted to NT$558,750 thousand (CAD25,000 thousand), with the outstanding loan amounting to NT$558,750 thousand (CAD25,000 thousand). With the effective loan agreement and by the repayment in full to the loan, the Group should maintain these ratios based on audited or reviewed financial statements, which will be reviewed every half year:

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

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

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

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

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

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

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

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

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

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

d. Request to repay the principal.

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

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

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

15. 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 2020 and 2019 are NT$21,256 thousand and NT$16,757 thousand, respectively.

16. Provision

	Onerous contracts	Sales returns and discounts	Employee benefits	Total
1 January 2020	$667	$10,059	$9,408	$20,134
Acquisitions through business combinations	641,747	-	151,670	793,417
Arising during the period	-	5,783	5,447	11,230
Utilized	(18,173)	(7,905)	(428)	(26,506)
Exchange differences	10,369	-	2,620	12,989
31 December 2020	$634,610	$7,937	$168,717	$811,264
1 January 2019	$667	$3,219	$8,444	$12,330
Arising during the period	-	7,727	964	8,691
Utilized	-	(887)	-	(887)
31 December 2019	$667	$10,059	$9,408	$20,134
Current－31 December 2020	$223,193	$7,937	$13,870	$245,000
Non-current－31 December 2020	411,417	-	154,847	566,264
Current－31 December 2019	$667	$10,059	$9,408	$20,134
Non-current－31 December 2019	-	-	-	-

Onerous contracts

Provisions are recognized for onerous contracts, based on experience and other known factors. Please refer to Note VI.27 for more details on business combination.

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 days. Please refer to Note VI.27 for more details on business combination.

17. Equities

(1) Common stock

① As of 31 December 2020 and 2019, the Company's authorized capital was both NT$600,000 thousand, divided into 60,000 thousand shares, with par value at NT$10 per share. The issued shares amounted to NT$541,154 thousand and NT$394,272 thousand and, divided into 54,115 thousand shares and 39,427 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

② For the year ended 31 December 2019, the Company's first-time issued unsecured convertible corporate bonds in the amount of NT$100,000 thousand had been converted to 1,118 thousand common shares, amounting to NT$11,181 thousand.

③ Capitalization of retained earnings in the amount of NT$88,471 thousand with par value at NT$10 per share was approved and 8,847 thousand common shares were authorized for issue at the shareholders' meeting held on 11 June 2019. The capital increase was approved by the Financial Supervisory Commission on 27 June 2019 and the registration of change was completed

④ Issuance of 2,200 thousand common shares at NT$10 per share was authorized by the Board of Directors on 8 January 2020. The above-mentioned issuance of common stock for cash includes public offering, employee subscription and original shareholder subscription. The shares were issued at a premium of NT$120 per share. The issuance of common stock was approved by the competent authority and the registration of change was completed on 4 March 2019. Part of shares were reserved for employee subscription. The fair value of such shares was recognized as capital surplus- Additional paid-in capital on the grant day.

⑤ Capitalization of retained earnings in the amount of NT$124,882 thousand with par value at NT$10 per share was approved and 12,488 thousand common shares were authorized for issue by the Board of Directors on 9 March 2020. The capital increase was approved by the Financial Supervisory Commission on 13 October 2020 and the registration of change was completed.

(2) Capital surplus

	31 Dec. 2020	31 Dec. 2019
Additional paid-in capital	$798,313	$551,608
Conversion premium from convertible bonds	88,282	88,282
Employee stock option	29,737	8,904
Treasury stock transaction	35,315	27,438
Total	$951,647	$676,232

According to the 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 2020:

(Unit: thousand shares)

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

For the year ended 31 December 2019:

Cause	Beginning balance	Addition	Decrease	Ending balance
Transfer to employees	156	-	87	69

b. As of 31 December 2020 and 2019, the amount of treasury stocks yet to be canceled were 0 thousand shares and 69 thousand shares. The amount of treasury stocks bought back was NT$ 0 thousand and NT$2,404 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:

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

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

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of IFRS, the FSC on 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. While the amount the Company transferred to retained earnings were negative following the first-time adoption of IFRS, the Company did not set aside special reserve.

Details of the 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 30 March 2021 and 28 May 2020, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2020	2019	2020	2019
Legal reserve	$57,843	$30,503	$-	$-
Special reserve	(171)	(219,179)	-	-
Common stock—cash dividend	108,231	83,254	2	2
Common stock—stock dividend	135,289	124,882	2.5	3

Please refer to Note VI.22 for details on employees' compensation and remuneration to directors and supervisors.

18. Share-based payment plans

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

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

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

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

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

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

Date of grant	Total number of share options granted (Unit)	Exercise price of share options (NT$) (Note)
4 June 2019	1,000	81.5
29 December 2020	275	197

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 execution price shall be adjusted in accordance with the parent company's plan.

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

	2020	2019
Dividend yield (%)	-	-
Expected volatility (%)	44.36%	45.62%
Risk-free interest rate (%)	0.176% ~ 0.201%	0.525%
Expected option life (Years)	3.5 ~ 4.5	2.5
Weighted average share price ($)	197	142
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:

	2020		2019	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	940	107.2	-	-
Granted	275	197	1,000	107.2
Forfeited	(20)	81.5	(60)	107.2
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	1,195	108.1	940	107.2
Exercisable at end of period	-	-	-	-

The information on the outstanding share options as of 31 December 2020 and 2019, is as follows:

	Range of exercise price	Weighted average remaining contractual life (Years)
As at 31 December 2020 share options outstanding at the end of the period	$81.5~$197	0.92~4.04
As at 31 December 2019 share options outstanding at the end of the period	$107.2	1.92

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

No modification or cancellation of share-based payment plan has occurred in the years ended 31 December 2020 and 2019.

(3) The expense recognized for employee services received during the years ended 31 December 2020 and 2019, is shown in the following table:

	2020	2019
Total expense arising from equity-settled share-based payment transactions	$20,833	$8,903

19. Operating revenue

Analysis of revenue from contracts with customers for the years ended 31 December 2020 and 2019 are as follows:

(1) Disaggregation of revenue

	2020	2019
Revenue from contracts with customers		
Sales of goods	$447,432	$383,518
OEM	1,311,945	1,143,906
Others	40,193	1,792
Total	$1,799,570	$1,529,216

For the years ending 31 December 2020 and 2019, the timing of recognizing revenue from contracts with clients is recognized at a point in time.

(2) Contract liabilities－current

	2020	2019
Sales of goods	$3,440	$4,992

The significant changes in the Group’s balances of contract liabilities for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
The opening balance transferred to revenue	$4,375	$13,909

(3) Transaction price allocated to unsatisfied performance obligations
None

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

20. Expected credit losses/ (gains)

	2020	2019
Operating expenses – Expected credit losses/(gains)		
Accounts receivables	$(799)	$1,769

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

Provisions for receivables, including note receivables and accounts receivables are estimated at an amount equal to lifetime expected credit losses. The relevant explanation in the evaluation to the amount of provisions for the year ended 31 December 2020 and 2019 is as follows:

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

As at 31 December 2020

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

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

108.12.31

Group 1		Overdue					
	Not yet due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$140,537	$40,372	$-	$-	$-	$-	$ 180,909
Loss rate	0%	0%	0%	0%	0%	0%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Subtotal	140,537	40,372	-	-	-	-	180,909

Group 2		overdue					
	Not yet due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$151,007	$2,412	$2,889	$488	$262	$2,430	$159,488
Loss rate	0%-0.01%	0.18%-0.20%	0.26%-3.96%	0.93%-15%	21%-37%	28%-100%	
Lifetime expected credit losses	9	4	107	72	62	1,813	2,067
Subtotal	150,998	2,408	2,782	416	200	617	157,421
Carrying amount of trade receivables							$338,330

The movement in the provision for impairment of accounts receivables for the years ended 31 December 2020 and 2019 is as follows:

	Accounts receivables
Bal. as at 1 Jan. 2020	$2,067
Addition/(reversal) for the current period	(799)
Write off	(41)
Bal. as at 31 Dec. 2020	$1,227
Bal. as at 31 Jan. 2019	$310
Addition/(reversal) for the current period	1,769
Write off	(12)
Bal. as at 31 Dec. 2019	$2,067

21. Leases

(1) Group as a lessee

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

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

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2020	31 Dec. 2019
Land	$285,673	$293,619
Buildings	50,190	2,907
Transportation equipment	3,747	-
Total	$339,610	$296,526

For the year ended 31 December 2020, the Group's additions to right-of-use assets amounted to NT$52,284 thousand. For the year ended 31 December 2019, the Group didn't acquire right-of-use assets.

(b) Lease liabilities

	As at	
	31 Dec. 2020	31 Dec. 2019
Lease liabilities	$344,046	$298,764
Current	$18,678	$8,596
Non-current	$325,368	$290,168

Please refer to Note VI.23 for the interest on lease liabilities recognized during the years ended 31 December 2020 and 2019 and refer to Note XII.5 Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 Dec.	
	2020	2019
Land	$9,522	$9,472
Buildings	2,003	2,744
Transportation equipment	105	-
Office equipment	-	206
Total	$11,630	$12,422

C. Income and costs relating to leasing activities

	For the years ended 31 Dec.	
	2020	2019
The expenses relating to short-term leases	$5,550	$5,144
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	579	778

D. Cash outflow relating to leasing activities

During the years ended 31 December 2020 and 2019, the Group's total cash outflows for leases amounting to NT$20,608 thousand and NT$21,158 thousand, respectively.

(2) Group as a lessor

Please refer to Note VI.10 for disclosures of the Group's own investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended 31 Dec.	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$9,844	$-

Please refer to Note VI.10 for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 December 2020 and 2019 are as follow:

	As at	
	31 Dec. 2020	31 Dec. 2019
Not later than one year	$8,571	$-
Later than one year but not later than two years	8,571	-
Later than two years but not later than three years	8,571	-
Later than three years but not later than four years	8,571	-
Later than four years but not later than five years	8,571	-
Later than five years	24,400	-
Total	$67,255	$-

22. Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended 31 December 2020 and 2019:

Function / Character	For the years ended 31 Dec.					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$259,584	$222,227	$481,811	$206,347	$139,231	$345,578
Labor and health insurance	26,679	10,140	36,819	21,788	8,994	30,782
Pension	15,207	6,049	21,256	11,606	5,151	16,757
Other employee benefits expense	15,196	4,205	19,401	9,723	3,108	12,831
Depreciation	114,311	10,315	124,626	109,315	9,609	118,924
Amortization	15,175	1,226	16,401	-	691	691

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

Based on the profit of the year ended 31 December 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2020 to be NT$11,969 thousand and NT$5,800 thousand, respectively, 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 2019 to be NT$6,641 thousand and NT$6,526 thousand, respectively.

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

A resolution was passed at a Board of Directors meeting held on 9 March 2020 to distribute NT$6,909 thousand and NT$5,000 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2019, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2019 amounted to NT$268 thousand and NT$(1,526) thousand, respectively, are recognized in profit or loss of the subsequent year in 2020.

23. Non-operating income and expenses

(1) Other income

	For the years ended 31 Dec.	
	2020	2019
Interest income	$961	$2,451
Others	14,434	977
Total	$15,395	$3,428

Note: Please refer to Note VI.27 for more details on bargain purchase gain

(2) Other gains and losses

	For the years ended 31 Dec.	
	2020	2019
Gains (losses) on disposal of property, plant and equipment	$(2)	$(1,134)
Foreign exchange (losses) gains, net	(10,900)	(7,694)
Gains (losses) on disposal of investments	106	25
Gains (losses) on financial assets at fair value through profit or loss (Note)	(1,009)	697
Others	(156)	(281)
Total	$(11,961)	$(8,387)

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

(3) Finance costs

	For the years ended 31 Dec.	
	2020	2019
Interest on borrowings from bank	$16,927	$7,733
Interest on lease liabilities	5,046	5,099
Interest on bonds payable (Note)	-	1,705
Total finance costs	$21,973	$14,537

Note: Unsecured domestic convertible bonds issued on 6 July 2018 were all converted to common stock on 31 December 2019.

24. Components of other comprehensive income

Year ended 31 December 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Tax Benefit (Expense)	Net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	$20,027	$-	$20,027	$(4,005)	$16,022

Year ended 31 December 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Tax Benefit (Expense)	Net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	$(214)	$-	$(214)	$43	$(171)

25. Income tax

The major components of income tax expense (income) for the years ended 31 December 2020 and 2019 are as follows:

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

	For the years ended 31 Dec.	
	2020	2019
Current income tax expense (income):		
Current income tax charge	$22,920	$30,367
Adjustments in respect of current income tax of prior periods	(1,974)	(2,797)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	127,216	(672)
Deferred tax expense (income) relating to tax loss	(131,189)	-
Deferred tax expense arising from write-down or reversal of write-down of deferred tax asset	-	(7,438)
Other components of deferred tax expense (income)	-	859
Total income tax expense	$16,973	$20,319

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

	For the years ended 31 Dec.	
	2020	2019
Deferred tax expense (income):		
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	$(4,005)	$43

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

	For the years ended 31 Dec.	
	2020	2019
Accounting profit (loss) before tax from continuing operations	$595,399	$325,350
Tax at the domestic rates applicable to profits in the country concerned	$311,187	$129,826
Tax effect of losses offset	5,682	3,303
Tax effect of revenues exempt from taxation	(94,308)	(76,682)
Tax effect of expenses not deductible for tax purposes	10	36
Tax effect of deferred tax assets/liabilities	(104,166)	(44,656)
Corporate income surtax on undistributed retained earnings	3,340	10,836
Adjustments in respect of current income tax of prior periods	(1,974)	(2,796)
Others	(102,798)	452
Total income tax expense recognized in profit or loss	$16,973	$20,319

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

For the year ended 31 December 2020

	Beginning balance as at 1 Jan. 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Deferred tax assets (liabilities) acquired in business combinations	Exchange differences	Ending balance as at 31 Dec. 2020
Temporary differences						
Allowance for inventory valuation losses	$1,662	$238	$-	$-	$-	$1,900
Unrealized sales returns and discounts	2,012	(425)	-	-	-	1,587
Valuation of foreign investment under equity method	1,420	(1,420)	-	-	-	-
Business combination – negative goodwill	(60,931)	-	-	-	-	(60,931)
Impairment loss of property, plant and equipment	31,906	(1,152)	-	-	-	30,754
Exchange differences on translation of foreign operations	43	-	(4,005)	-	-	(3,962)
Fair value adjustments arising in business combinations	-	(4,842)	-	(139,841)	(2,406)	(147,089)
Depreciation property, plant and equipment	-	(104,420)	-	-	(1,736)	(106,156)
Others	1,084	2,297	-	-	8	3,389
Unused tax losses	-	113,696	-	-	1,891	115,587
Deferred tax income/ (expense)		$3,972	$(4,005)	$(139,841)	$(2,243)	
Net deferred tax assets/(liabilities)	$(22,804)					$(164,921)
Reflected in balance sheet as follows						
Deferred tax assets	$38,129					$37,092
Deferred tax liabilities	$60,933					$202,013

For the year ended 31 December 2019

	Beginning balance as at 1 Jan. 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Deferred tax income (expense) charged directly to equity	Ending balance as at 31 Dec. 2019
Temporary differences					
Allowance for inventory valuation losses	$3,235	$(1,573)	$-	$-	$1,662
Provision-onerous contract	834	(834)	-	-	-
Unrealized sales returns and discounts	644	1,368	-	-	2,012
Unrealized exchange (gain) loss	95	197	-	-	292
Compensated absences provisions	116	-	-	-	116
Unrealized intragroup profits and losses	526	(95)	-	-	431
Convertible Bond Equity Element	(788)	(71)	-	859	-
Unrealized gains (losses) from financial instrument	-	(2)	-	-	(2)
Valuation of foreign investment under equity method	-	1,420	-	-	1,420
Business combination – negative goodwill	(60,931)	-	-	-	(60,931)
Impairment loss of property, plant and equipment	25,310	6,596	-	-	31,906
Exchange differences on translation of foreign operations	-	-	43	-	43
Allowance for doubtful debts	-	247	-	-	247
Deferred tax income/ (expense)		$7,253	$43	$859	
Net deferred tax assets/(liabilities)	$(30,959)				$(22,804)
Reflected in balance sheet as follows					
Deferred tax assets	$30,760				$38,129
Deferred tax liabilities	$61,719				$60,933

(4) Unrecognized deferred tax assets

As of 31 December 2020 and 2019, deferred tax assets have not been recognized amounting to NT$262,469 thousand and NT$284,315 thousand, respectively.

(5) The assessment of income tax returns

As of 31 December 2020, 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 2018
UNION CHEMICAL & PHARMACEUTICAL CO., LTD.	Assessed and approved up to 2018
Yuta Health Co., Ltd.	Assessed and approved up to 2018
Bora Pharmaceutical Laboratories Inc.	Assessed and approved up to 2018

26. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity 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 Dec.	
	2020	2019
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$578,426	$305,031
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	53,755	50,193
Basic earnings per share (NT$)	$10.76	$6.08

	2020	2019
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$578,426	$305,031
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	53,755	50,193
Effect of dilution:		
Employee compensation－stock (in thousands)	-	62
Employee stock options (in thousands)	419	105
Weighted average number of ordinary shares outstanding after dilution (in thousands)	54,174	50,360
Diluted earnings per share (NT$)	$10.67	$6.06

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

27. Business combinations

Acquisition of the Business Conducted at GlaxoSmithKline Inc. Ontario Site

The Group acquired GlaxoSmithKline Inc.'s business assets in Ontario Canada on 1 December 2019, and and entered into a five-year Manufacturing and Supply Agreement (the "MSA") with its affiliate to continue manufacturing the existing GSK product line. The purpose for the acquisition of the business of GlaxoSmithKline Inc. is to increase the Group's North American base and accelerate the layout of its international toll manufacturing business.

The fair values of the identifiable assets and liabilities of GlaxoSmithKline Inc. business as at the date of acquisition were:

	Fair value recognized on the acquisition date
Asset:	
Inventories	$610,942
Property, plant and equipment:	
Land	1,108,014
Buildings	597,977
Machinery and equipment	348,932
Testing equipment	57,634
Subtotal	2,723,499

	Fair value recognized on the acquisition date
Liabilities:	
Provisions:	
Onerous contract	(641,747)
Employee benefit	(151,670)
Deferred tax liabilities	(139,841)
Subtotal	(933,258)
Identifiable net assets	$1,790,241

Bargain gain is as follows:	
Purchase consideration	$1,402,380
Less: identifiable net assets at fair value	(1,790,241)
Bargain gain	$(387,861)

Acquisition consideration	
Cash	$1,382,901
Other receivables	(99,621)
Other payables	119,100
Total consideration	$1,402,380

Analysis of cash flows on acquisition:	
Net cash flow on acquisition	$(1,382,901)

The transaction costs of NT$86,150 thousand have been expensed and are included in the administrative expenses.

Operating assets and business acquired contributed net loss in the amount of NT$ 13,776 thousand from the date of acquisition (1 December 2020) to 31 December 2020 (excluding bargain purchase gain) to the continuing operations of the Group.

The business combination acquired the international pharmacy manufacturer, GlaxoSmithKine Inc.'s operating assets located at Canada. Bargain purchase gains occurred due to higher operating costs post acquisition.

The purchase price was prepaid with an amount equal to inventory costs prior to the transaction. The overpayment of NT$99,621 between the actual inventory costs settled on the transaction date and the prepayments was recognized in other receivables, while the unpaid portion of purchase price amounted to NT$119,100 thousand was recognized in other payables.

Onerous contracts under provision occured due to the MSA that was simultaneously signed with the asset purchase agreement. As the pricing method in the MSA met the criteria of present liabilities specified in IFRS 3, the Group recognized the present liabilities for onerous contracts as provision according to International Financial Reporting Standards. The liabilities are expected to incur progressively before the expiry date of the MSA. Employee benefit liabilities occur due to the present liabilities arising from the commitment following business combination to afford the employee's benefits. The Group recognized the present liabilities for employee benefit as provision according to International Financial Reporting Standards.

VII. Related party transactions

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
HOAN PHARMACEUTICALS LTD.	Substantive related party

Significant transactions with the related parties

1. Sales

	Years Ended December 31	
	2020	2019
HOAN PHARMACEUTICALS LTD.	$41,043	$37,424

The sales prices are the same between associates and non-related parties. The collection period is month-end 120 days, which is comparable with third party transaction.

2. Purchases

	Years Ended December 31	
	2020	2019
HOAN PHARMACEUTICALS LTD.	$49,186	$35,530

The purchase prices to the related parties was determined by costs plus expenses that are necessary. The purchase price and payment terms from the related party suppliers are comparable with third party suppliers and are 120 days.

3. Nots Receivables - related parties

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$-	$3,564

4. Accounts receivable-related parties

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$18,136	$12,971
Less: loss allowance	-	-
Net	$18,136	$12,971

5. Other receivables-related parties

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$49	$6

6. Notes payables-related parties

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$-	$3,315

7. Accounts payable -related parties

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$14,705	$6,809

8. Other payables-related parties

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$1,686	$467

9. Sales and marketing expenses

	109.12.31	108.12.31
HOAN PHARMACEUTICALS LTD.	$4,497	$4,323

10. Key management personnel compensation

	Years Ended December 31	
	2020	2019
Short-term employee benefits	$33,452	$15,938
Post-employment benefits	108	108
Total	$33,560	$16,046

VIII. Assets pledged as security

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

Items	Carrying amount		Secured liabilities
	31 Dec. 2020	31 Dec. 2019	
Financial assets measured at amortized cost－non current	$34,153	$11,400	Deposits for Customs Administration, Science Park Administration and credit card limit. Syndicated bank loans reserve account
Property, plant and equipment - land	889,813	889,813	Short-term borrowings and Long-term borrowings
Property, plant and equipment - buildings	566,168	571,711	Short-term borrowings and Long-term borrowings
Investment property	25,839	26,673	Long-term borrowings
Total	$1,515,973	$1,499,597	

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

IX. Significant contingencies and unrecognized contractual commitments

(1) On 29 June 2018, Gilead Sciences, Inc.US filed a patent infringement action with the Intellectual Property Court against the Group and Biofrontier Inc. Asia, which outsourced the production of ‘Teno B Tablets 300mg’ to the Group. Gilead Sciences, Inc.US claimed that this outsourcing production of this type of prescription drug infringed on its patent of ‘Nucleotide Analog and Pharmaceutical Composition Containing the Same’ filed in Intellectual Property Office MOEA R.O.C with certificate number I224103. The aforementioned action had been settled on 28 October 2019, in which the Group reached a settlement with Gilead Sciences, Inc.US. Pursuant to the Group’s outsourcing manufacturing contract with Biofrontier Inc., any litigation and compensation deriving from this outsourcing manufacturing shall be borne by Biofrontier Inc. Asia. The settlement was considered to have no significant impact on the Group’s overall operation.

(2) As of 31 December 2020, the construction contracts that the Group have are as follows:

Construction name	Amount	Paid amount	Unpaid amount
Interior design and decoration project for Ruiguang Building	$33,873	$22,846	$11,027
Appearance improvement project for Ruiguang Building	21,000	$10,280	$10,720

(3) The Group executed a loan agreement with CTBC and declared the Group would fulfill the following financial condition: the current ratio shall not be less than 120% since June 2021 to June 2023, which will be reviewed every half year; debt ratio (total liabilities over tangible net assets) shall not be higher than 180 % by the end of 2021, 150% since 2022; interest coverage ratio (EBITDA over interest expense) shall not be less than 5, and tangible net assets shall be maintained at NT$1,600,000 thousand above. If the Group fails to keep the above ratios, CTBC could take actions according to the agreement.

(4) In the fourth quarter of 2020, the Company (the Guarantor) and the Company's subsidiary, Bora Pharmaceutical Service Inc. (the "Borrower"), executed a syndicated loan agreement with CTBC Bank (the "Agent") and other 13 banks. With the effective date of the loan agreement and by the repayment in full to the loan, the Group should review maintain these ratios based on audited or reviewed financial statements, which will be reviewed below every half year:

① The Borrower's leverage ratio (total borrowings over EBITDA) shall not be higher than 5.。
② The Borrower's interest coverage ratio (EBITDA over interest expense) shall not be less than 5.
③ The Guarantor's current ratio shall not be less than 120%.
④ The Guarantor's debt ratio (total liabilities over tangible net assets) shall not be higher than 180 % by the end of 2021, 150% since 2022, and 120% since 2024.
⑤ The Guarantor's interest coverage ratio (EBITDA over interest expense) shall not be less than 5.
⑥ The Guarantor's tangible net assets shall be maintained at NT$1,600,000 thousand above.
⑦ In the event the borrower violates the restriction defined in the contract, CTBC Bank or at the request of the majority lenders has the right pursuant to covenants to take actions, including the steps below but not limited to:
a. Terminate the Borrower's right to draw from the contract credit line in whole or in part.
b. Cease the unused loans in whole or in part.
c. Declare the loans then outstanding to be due and payable in whole or in part, and thereupon the principal of the loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations under the loan agreement of the Borrower accrued.
d. Request to repay the principal by promissory note.
e. Exercise on behalf of itself and the lenders all rights and remedies available to it and the lenders under the loan agreement and applicable law.
f. Exercise on behalf of itself and other lenders based on majority rule

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Financial instruments

1. Categories of financial instruments

Financial assets	As at	
	31 Dec. 2020	31 Dec. 2019
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$64	$60,305
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	669,714	452,423
Financial assets measured at amortized cost	34,153	41,400
Notes receivables	23,800	40,486
Accounts receivable	515,830	297,844
Other receivables	186,767	7,735
Subtotal	1,430,264	839,888
Total	1,430,328	$900,193

Financial liabilities	As at	
	31 Dec. 2020	31 Dec. 2019
Financial liabilities at amortized cost:		
Short-term borrowings	$1,217,646	$225,000
Accounts and other payables	617,211	205,361
Long-term borrowings (including current portion with maturity less than 1 year)	1,319,619	894,149
Lease liabilities	344,046	298,764
Total	$3,498,522	$1,623,274

2. Financial risk management objectives and policies

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

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

3. Market risk

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

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

Foreign currency risk

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

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

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

When NTD strengthens/weakens against USD by 1%, the profit for the year ended 31 December 2020 and 2019 is increased/decreased by NT$2,553 thousand and NT$2,645 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, a increase of 10 basis points of interest rate in a reporting period could cause the profit for the year ended 31 December 2020 and 2019 to decrease by NT$1,833 thousand and NT$622 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 2020 and 2019 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 2020 and 31 December 2019, accounts receivables from top ten customers represent 94% and 75% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

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

5. Liquidity risk management

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

Non-derivative financial liabilities

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

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2019					
Borrowings	$305,145	$309,311	$105,377	$454,483	$1,174,316
Accounts and other payables	205,361	-	-	-	205,361
Lease liabilities (Note)	13,484	26,122	24,431	317,600	381,637

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
As at 31 Dec. 2020	$117,027	$63,899	$61,402	$61,402	$122,804	$426,534
As at 31 Dec. 2019	$64,037	61,077	61,077	61,077	134,369	381,637

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2020:

	Short-term borrowings	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2020	$225,000	$894,149	$298,764	$1,417,913
Cash flows	992,646	425,470	(9,433)	1,408,683
Non-cash changes	-	-	54,715	54,715
As at 31 Dec. 2020	$1,217,646	$1,319,619	$344,046	$2,881,311

Reconciliation of liabilities for the year ended 31 December 2019:

	Short-term borrowings	Long-term borrowings	Leases liabilities	Convertible bonds payable	Total liabilities from financing activities
As at 1 Jan. 2019	$10,000	$452,427	$312,664	$97,370	$872,461
Cash flows	215,000	441,722	(10,137)	-	646,585
Non-cash changes	-	-	(3,763)	(97,370)	(101,133)
As at 31 Dec. 2019	$225,000	$894,149	$298,764	$-	$1,417,913

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, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

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

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

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

(2) Fair value measurement hierarchy for financial instruments

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

8. Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2020 and 31 December 2019 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 at 31 Dec. 2020		
Forward currency contract	Sell USD 1,000 thousand	From 27 Oct. 2020 to 15 Jan. 2021
Forward currency contract	Sell USD 900 thousand	From 11 Nov. 2020 to 28 Jan. 2021
Forward currency contract	Sell USD 900 thousand	From 14 Dec. 2020 to 18 Feb. 2021
Forward currency contract	Sell USD 1,000 thousand	From 14 Dec. 2020 to 25 Feb. 2021
As at 31 Dec. 2019		
Forward currency contract	Sell USD 900 thousand	From 27 Nov. 2019 to 13 Feb. 2020

Embedded derivatives

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

9. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the 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:

As at 31 December 2020

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

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$60,014	$-	$-	$60,014
Forward foreign exchange contracts	-	291	-	291

Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

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

For the year ended 2020: None.

	Assets
	At fair value through profit or loss - current
	Derivatives
Beginning balances as at 1 January 2019	$130
Total gains and losses recognized for the year ended 31 December 2019	
Amount recognized in profit or loss (presented in "other profit or loss")	420
Disposal/settlements for the year ended 31 December 2019	(550)
Ending balances as at 31 December 2019	$-

Information on significant unobservable inputs to valuation

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

As at 31 December 2020

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

As at 31 December 2019

	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	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$149 thousand

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

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

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

As at 31 December 2020

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

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	$-	$-	$57,378	$57,378

10. Significant assets and liabilities denominated in foreign currencies

Unit: thousands

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

	As at 31 December 2019		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$9,580	29.985	$287,256
Financial liabilities			
Monetary items:			
USD	$762	29.985	$22,849

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 2020 and 2019, the foreign exchange gains or losses on monetary financial assets and financial liabilities amounted to NT$(10,900) thousand and NT$(7,694) 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. <u>Other disclosure</u>

1. Information at significant transactions
   (a) Financing provided to others for the year ended 31 December 2020: Please refer to Attachment 2.
   (b) Endorsement/Guarantee provided to others for the year ended 31 December 2020: Please refer to Attachment 3.
   (c) Securities held as of 31 December 2020: 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 2020: 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 2020: Attachment 6.
   (f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2020: 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 2020: None.
   (h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2020: Please refer to Attachment 7.
   (i) Financial instruments and derivative transactions: Please refer to 6.2.
   (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 1.

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

3. Investment in Mainland China: None.

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

XIV. Segment information

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

Sales segment: Selling pharmaceuticals and healthcare products.

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

Other segment: Distributing and developing pharmaceuticals.

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

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

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

Year ended 31 Dec. 2020

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

Year ended 31 Dec. 2019

	Sales segment	Manufacturing segment	Other segment	Adjustment and elimination	Consolidated
Revenue					
External customer	$383,518	$1,143,906	$1,792	$-	$1,529,216
Inter-segment (Note)	34,975	13,440	-	(48,415)	-
Total revenue	$418,493	$1,157,346	$1,792	$(48,415)	$1,529,216
Segment profit	$137,330	$524,820	$(20,122)	$(316,678)	$325,350

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

2. Product information:

Product	For the years ended 31 December 2020	2019
Pharmaceuticals	$293,287	$243,927
Healthcare products	213,758	175,951
CDMO	1,345,533	1,157,753
Adjustment and elimination	(53,008)	(48,415)
Total	$1,799,570	$1,529,216

3. Geographic information:

Revenue from external clients:

Country	For the years ended 31 December 2020	2019
U.S.A.	$968,948	$974,941
Taiwan	615,870	554,275
Europe	214,752	-
Total	$1,799,570	$1,529,216

Non-current assets:

Country	For the years ended 31 December 2020	2019
Canada	$2,266,014	$-
Taiwan	2,040,378	2,086,836
Total	$4,306,392	$2,086,836

4. Important client information:

	For the years ended 31 December 2020	2019
Client A	$918,915	$974,941
Client G	214,752	-
Client F	198,745	-
Client B	155,039	159,524
Client C	41,043	37,424
Client D	36,343	34,670
Client E	36,422	18,197
Total	$1,601,259	$1,224,756

V. Individual financial statements for the most recent year audited by a certified public accountant

EY 安永
Building a better working world

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Independent Auditors' Report

To BORA PHARMACEUTICALS CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of BORA PHARMACEUTICALS CO., LTD. (the "Company") as of 31 December 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2020 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2020 and 2019, and parent company only financial performance and cash flows for the years ended 31 December 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

As of 31 December 2020, the Company's net inventories amounted to NT$46,798 thousand, and constituted 1% of total assets, which were material to the parent company only financial statements. Considering the market demand and possible sales, management evaluated the obsolescence of raw materials, work in progress, and semi-finished goods by inventory aging.

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

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

Revenue Recognition

For the year ended 31 December 2020, the Company recognized NT$389,794 thousand as revenues, mainly coming from toll manufacturing, rendering services, prescription drug distribution and consumer healthcare products. As timing of revenue recognition varies among contract terms with customers, which involved management's significant judgment, we have determined this as a key audit matter.

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

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

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

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

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

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

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

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fuh, Wen Fun

Lin, Li Huang

Ernst & Young, Taiwan

30 March 2021

<u>Notice to Readers</u>

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

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of 31 December, 2020 and 2019

Unit: Thousands of New Taiwan Dollars

ASSETS	Notes	31 Dec. 2020	31 Dec. 2019
Current assets			
Cash and cash equivalents	IV&VI.1	$98,813	$144,029
Financial assets at fair value through profit or loss,current	IV&VI.2	-	60,014
Notes receivable,net	IV&VI.3.17	23,143	19,276
Notes receivable-related parties,net	IV&VI.3.17&VII	-	3,564
Accounts receivable,net	IV&VI.4.17	68,891	84,100
Accounts receivable-related parties,net	IV&VI.4.17&VII	18,136	12,971
Other receivables		2,064	3,965
Other receivables-related parties	VI.7&VII	954,494	644,658
Current tax assets	IV&VI.22	7,796	1,589
Inventories,net	IV&VI.5	46,798	59,774
Prepayments		20,415	12,974
Other current assets	VI.6	39,773	41,212
Total current assets		1,280,323	1,088,126
Non-current assets			
Investments accounted for using equity method	IV&VI.7	1,306,720	419,957
Property, plant and equipment	IV&VI.8&VIII	1,038,833	1,046,844
Right-of-use assets	IV&VI.18	1,661	2,907
Investment property,net	IV&VI.9	25,839	26,673
Intangible assets	IV	2,801	544
Deferred tax assets	IV&VI.22	1,424	3,092
Prepayment for equipments		45,156	829
Refundable deposits		2,373	3,346
Total non-current assets		2,424,807	1,504,192
Total assets		$3,705,130	$2,592,318

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of 31 December 2020 and 2019

Unit: Thousands of New Taiwan Dollars

LIABILITIES AND EQUITY	Notes	31 Dec. 2020	31 Dec. 2019
Current liabilities			
Short-term loans	IV&VI.10	$520,000	$175,000
Contract liabilities,current	VI.16&VII	385	685
Notes payable		256	1,057
Notes payable-related parties	IV&VII	-	4,115
Accounts payable		7,105	6,717
Accounts payable-related parties	IV&VII	26,850	32,529
Other payables	IV&VI.11	79,726	70,334
Other payables-related parties	IV&VII	4,000	2,643
Lease liability,current	IV&VI.18	1,253	1,236
Current portion of long-term liabilities	IV&VI.12	3,423	5,160
Other current liabilities		2,417	733
Total current liabilities		645,415	300,209
Non-current liabilities			
Long-term loans	IV&VI.12	530,577	573,989
Deferred tax liabilities	IV&VI.22	62,191	60,933
Lease liability,noncurrent	IV&VI.18	422	1,675
Other noncurrent liabilities-others		1,761	1,761
Total non-current liabilities		594,951	638,358
Total liabilities		1,240,366	938,567
Equity attributable to the parent company			
Capital	VI.14		
Common stock		541,154	394,272
Capital surplus	VI.14	951,647	676,232
Retained earnings	VI.14		
Legal reserve		83,619	53,116
Special reserve		5,071	224,250
Unappropriated earnings		872,322	313,356
Subtotal		961,012	590,722
Other equity	VI.14	10,951	(5,071)
Treasury stock	VI.14	-	(2,404)
Total equity		2,464,764	1,653,751
Total liabilities and equity		$3,705,130	$2,592,318

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD.

PARENT COMPANY ONLY STATEMENT OF COMPREHENSIVE INCOME

From January 1 to December 31, 2020 and 2019

Unit: Thousands of New Taiwan Dollars

	Notes	2020	2019
Operating revenue	IV&VI.16&VII	$389,794	$378,139
Operating costs	IV&VI.5.15.19&VII	(295,823)	(251,387)
Gross profit		93,971	126,752
Realized gross profit on sales		476	702
Gross profit,net		94,447	127,454
Operating expenses	IV&VI.15.17.18.19&VII		
Sales and marketing expenses		(29,096)	(28,172)
General and administrative expenses		(124,167)	(94,751)
Research and development expenses		(18,592)	(21,268)
Total operating expenses		(171,855)	(144,191)
Operating loss		(77,408)	(16,737)
Non-operating income and expenses			
Other revenue	VI.20&VII	53,021	23,426
Other gains and losses	VI.20	6,412	(4,081)
Financial costs	VI.20	(9,199)	(3,323)
Share of profit of associates and joint ventures accounted for using the equity method	VI.7	607,863	318,221
Total non-operating income and expenses		658,097	334,243
Net income before income tax		580,689	317,506
Income tax expense	VI.22	(2,263)	(12,475)
Net income		578,426	305,031
Other comprehensive income			
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of foreign operations	VI.21	6,517	(214)
Share of profit (loss) of associates and joint ventures accounted for using equity method	VI.21	10,808	-
Income tax related to items to be reclassified subsequently to profit or loss	VI.21	(1,303)	43
Total other comprehensive income, net of tax		16,022	(171)
Total comprehensive income		$594,448	$304,860
Earnings per share (NTD)	IV&VI.23		
Earnings per share-basic		$10.76	$6.08
Earnings per share-diluted		$10.67	$6.06

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

From January 1 to December 31, 2020 and 2019

Unit: Thousands of New Taiwan Dollars

Items	Common Stock	Capital Surplus	Retained Earnings			Other equitity		Treasury stock	Total
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gain (Loss) on financial assets at fair value through other comprehensive income		
Balance as of 1 January 2019	$294,620	$575,557	$8,832	$-	$453,823	$-	$(4,900)	$(7,052)	$1,320,880
Appropriation and distribution of 2018 retained earning									
Legal Reserve	-	-	44,284	-	(44,284)	-	-	-	-
Special Reserve	-	-	-	224,250	(224,250)	-	-	-	-
Cash dividends	-	-	-	-	(88,493)	-	-	-	(88,493)
Stock dividends	88,471	-	-	-	(88,471)	-	-	-	-
Net income for the year ended 31 December 2019	-	-	-	-	305,031	-	-	-	305,031
Other comprehensive income for the year ended 31 December 2019	-	-	-	-	-	(171)	-	-	(171)
Total comprehensive income	-	-	-	-	305,031	(171)	-	-	304,860
Conversion of convertible bonds	11,181	84,832	-	-	-	-	-	-	96,013
Share-based payment transactions	-	15,843	-	-	-	-	-	4,648	20,491
Balance as of 31 December 2019	$394,272	$676,232	$53,116	$224,250	$313,356	$(171)	$(4,900)	$(2,404)	$1,653,751
Balance as of 1 January 2020	$394,272	$676,232	$53,116	$224,250	$313,356	$(171)	$(4,900)	$(2,404)	$1,653,751
Appropriation and distribution of 2019 retained earning									
Legal Reserve	-	-	30,503	-	(30,503)	-	-	-	-
Cash dividends	-	-	-	-	(83,254)	-	-	-	(83,254)
Stock dividends	124,882	-	-	-	(124,882)	-	-	-	-
Reversal of Special Reserve	-	-	-	(219,179)	219,179	-	-	-	-
Net income for the year ended 31 December 2020	-	-	-	-	578,426	-	-	-	578,426
Other comprehensive income for the year ended 31 December 2020	-	-	-	-	-	16,022	-	-	16,022
Total comprehensive income	-	-	-	-	578,426	16,022	-	-	594,448
Issuance of common stock for cash	22,000	246,705	-	-	-	-	-	-	268,705
Share-based payment transactions	-	28,710	-	-	-	-	-	2,404	31,114
Balance as of 31 December 2020	$541,154	$951,647	$83,619	$5,071	$872,322	$15,851	$(4,900)	$-	$2,464,764

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

English Translation of Financial Statements Originally Issued in Chinese

BORA PHARMACEUTICAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2020 and 2019

Unit: Thousands of New Taiwan Dollars

Items	2020	2019
Cash flows from operating activities:		
Net income before tax	$580,689	$317,506
Adjustments for:		
Income and expense adjustments:		
Depreciation	19,661	20,923
Amortization	555	313
Net (gain) on financial assets or liabilities at fair value through profit or loss	(83)	(434)
Interest expense	9,199	3,323
Interest revenue	(5,600)	(4,660)
Share-based payment expenses	28,710	15,843
Share of profit of associates and joint ventures accounted for using the equity method	(607,863)	(318,221)
Loss on disposal of property, plant and equipment	91	1,287
Loss on disposal of other assets	-	150
Realized (gain) from inter-affiliate accounts	(476)	(702)
Total income and expense adjustments:	(555,806)	(282,178)
Changes in operating assets and liabilities:		
Notes receivable,net	(3,867)	10,144
Notes receivable-related parties,net	3,564	(3,564)
Trade receivables,net	15,209	(19,422)
Trade receivables-related parties,net	(5,165)	6,661
Other receivables	1,901	(3,767)
Other receivables-related parties	(4,033)	(6,644)
Inventories	12,976	(26,639)
Prepayments	(7,441)	24,030
Other current assets	1,439	(17,567)
Contract liabilities	(300)	(912)
Notes payable	(801)	(3,946)
Notes payable-related parties	(4,115)	(2,245)
Accounts payable	388	(4,141)
Accounts payable-related parties	(5,679)	10,979
Other payables	9,063	22,099
Other payables-related parties	1,357	772
Other current liabilities	1,684	(4,058)
Cash generated from operations	41,063	17,108
Interest received	5,600	4,660
Income tax paid	(6,847)	(11,535)
Net cash provided by operating activities	39,816	10,233

Items	2020	2019
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	-	(60,000)
Proceeds from disposal of financial assets at fair value through profit or loss	60,097	-
Acquisition of investments accounted for using equity method	(263,969)	(94,199)
Acquisition of property, plant and equipment	(9,663)	(668,620)
Disposal of property, plant and equipment	2	1,173
Decrease in refundable deposits	973	50
Increase in other receivables-related parties	(374,250)	(4,099)
Decrease in other receivables-related parties	68,447	114,879
Acquistion of intangible assets	(2,812)	(280)
Acquisition of investment property	-	(26,673)
Increase in prepayment for equipments	(44,327)	-
Decrease in prepayment for equipments	-	11,445
Dividends received	2,870	17,111
Net cash used in investing activities	(562,632)	(709,213)
Cash flows from financing activities:		
Increase in short-term borrowings	345,000	175,000
Borrow in long-term borrowings	-	534,000
Reimburse long-term borrowings	(45,149)	(4,778)
Reimburse lease principal	(1,236)	(2,899)
Increase in other current liabilities	-	1,513
Cash dividends	(83,254)	(88,493)
Issuance of common stock for cash	268,705	-
Treasury stock sold to employees	2,404	4,648
Interest paid	(8,870)	(1,457)
Net cash provided by financing activities	477,600	617,534
Net (decrease) in cash and cash equivalents	(45,216)	(81,446)
Cash and cash equivalents at beginning of period	144,029	225,475
Cash and cash equivalents at end of period	$98,813	$144,029

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

I. History and organization

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

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

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

The parent company only financial statements of the Company ("the Company") for the years ended 31 December 2020 and 2019 were authorized for issue by the Board of Directors on 30 March 2021.

III. Newly issued or revised standards and interpretations

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

   The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2020. The Company determined that the new standards and amendments had no material impact on the Company.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company 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	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023

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

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

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

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

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 June 2020. 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) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

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

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

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

D. Annual Improvements to IFRS Standards 2018 - 2020

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

Amendment to IFRS 9 Financial Instruments
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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

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

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

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

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

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

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

IV. Summary of significant accounting policies

1. Statement of compliance

The parent company only financial statements of the Company for the years ended 31 December 2020 and 2019 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of preparation

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

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

3. Foreign currency transactions

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

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

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net

investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

4. Translation of financial statements in foreign currency

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

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

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

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

5. 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.

All other liabilities are classified as non-current

6. Cash and cash equivalents

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

7. Financial instruments

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

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:
A. the Group's business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

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

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 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.

<u>Financial asset measured at fair value through other comprehensive income</u>

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

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

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

The loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the 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 Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(4) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

<u>Financial liabilities</u>

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

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

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

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

<u>Derecognition of financial liabilities</u>

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

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

(5) Offsetting of financial instruments

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

8. Fair value measurement

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

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

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

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

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

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

9. Inventories

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

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

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

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

10. Investments accounted for using the equity method

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

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

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

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

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

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

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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

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

11. Property, plant and equipment

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

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

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

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

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

12. Investment property

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

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

Buildings	30 years

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

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

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

13. Leases

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

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

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

Company as a lessee

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

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

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

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

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

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

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

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

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

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

Company as a lessor

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

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

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

14. Intangible assets

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

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

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

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

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

Research and development costs

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

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

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

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

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

15. Impairment of non-financial assets

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

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

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

16. Provisions

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

17. Treasury stock

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.

18. Revenue recognition

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

Sale of goods

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

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

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

Toll manufacturing

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

19. Borrowing costs

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

20. Post-employment benefits

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

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

21. Shared-based payment transactions

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

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

22. Income taxes

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

<u>Current income tax</u>

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.

<u>Deferred tax</u>

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

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

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

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

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

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

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

23. Business combinations and goodwill

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

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions 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.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

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

V. Significant accounting judgements, estimates and assumptions

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

(1) Judgement

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

Revenue recognition

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

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Inventory valuation

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

(b) Accounts receivables–estimation of impairment loss

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

(c) Income tax

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

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

(d) Share-based payment transactions

The 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.

VI. Contents of significant accounts

1. Cash and cash equivalents

	31 Dec. 2020	31 Dec. 2019
Cash on hand	$216	$196
Demand deposits	98,597	143,833
Total	$98,813	$144,029

2. Financial assets at fair value through profit or loss－Current

	31 Dec. 2020	31 Dec. 2019
Mandatorily measured at fair value through profit or loss：		
Fund	$-	$60,014
Current	$-	$60,014

3. Notes receivable and notes receivable – related parties

	31 Dec. 2020	31 Dec. 2019
Note receivables (total carrying amount)	$23,143	$19,276
Less: loss allowance	-	-
Subtotal	23,143	19,276
Note receivables - related parties (total carrying amount)	-	3,564
Less: loss allowance	-	-
Subtotal	-	3,564
Total	$23,143	$22,840

Note receivables were not overdue and not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note VI.17 for more details on loss allowance and Note XII for details on credit risk.

4. Accounts receivable and accounts receivable-related parties

	31 Dec. 2020	31 Dec. 2019
Accounts receivable (total carrying amount)	$68,918	$84,734
Less: loss allowance	(27)	(634)
Subtotal	68,891	84,100
Accounts receivable-related parties(total carrying amount)	18,136	12,971
Less: loss allowance	-	-
Subtotal	18,136	12,971
Total	$87,027	$97,071

(1) Accounts receivables were not pledged.

(2) Accounts receivables are generally on 30~120-day terms. The total carrying amount as of 31 December 2020 and 31 December 2019 are NT$87,054 thousand and NT$97,705 thousand, respectively. Please refer to Note VI.17 for more details on loss allowance of accounts receivables for the years ended 31 December 2020 and 2019. Please refer to Note XII for more details on credit risk management.

5. Inventories

(1) Details on net inventories are as follows:

	31 Dec. 2020	31 Dec. 2019
Raw materials	$8,846	$13,460
Supplies & parts	1,037	1,032
Work in progress	8,771	7,674
Semi-finished goods	901	3,105
Finished goods	8,464	17,087
Merchandise	18,779	17,416
Total	$46,798	$59,774

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

	For the year ended 31 December	
	2020	2019
Cost of goods sold	$296,490	$261,889
Inventories (overage)	(120)	(223)
Write-down of inventories (gains) from price recovery	(547)	(10,279)
Total	$295,823	$251,387

(3) The cost of inventories recognized in expenses amounted to NT$295,823 thousand and NT$251,387 thousand for the years ended 31 December 2020 and 2019, respectively, including gains from the reversal of write-down of obsolete inventories in the amount of NT$(547) thousand and NT$(10,279) thousand from price recovery for the years ended 31 December 2020 and 2019, respectively.

(4) No inventories were pledged.

6. Other current assets

	31 Dec. 2020	31 Dec. 2019
Temporary receipts(Note)	$98	$45
Payment on behalf of others(Note)	39,675	41,167
Total	$39,773	$41,212

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

7. Investments accounted for using the equity method

	31 Dec. 2020		31 Dec. 2020	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
Union Chemical & Pharmaceutical Co., Ltd.	$68,945	100%	$64,232	100%
Yuta Health Co., Ltd.	89,481	100%	81,575	100%
Bora Pharmaceutical Laboratories Inc.	725,540	100%	266,188	100%
Bora Pharmaceuticals USA Inc.	9,101	100%	7,962	100%
Bora Pharmaceutical Services Inc.	413,653	50%	-	-
Total	$1,306,720		$419,957	

(1)The Company resolved by special shareholders' meeting to acquire 100% ownership of Bora Pharmaceutical Laboratories Inc. with cash on 5 February 2018 and to obtain control on 6 February 2018. The Company acquired Bora Pharmaceutical Laboratories Inc.'s right as a creditor in the amount of NT$1,361,386(including principal and interest) on the acquisition date. The right was presented as other receivables -related parties on the balance sheet in the amount of NT$739,760 thousand less the Company's collection of NT$621,626 thousand after the acquisition date. The bargain purchase gain amounted to NT$304,653 thousand. The purpose of the acquisition is to expand the range of products. In addition, Bora Pharmaceutical Laboratories Inc. is the only company in Taiwan whose entire products are sold to U.S.A.

The other receivables-related parties amounted to NT$572,597 thousand NT$624,883 thousand as at 31 December 2020 and 2019.

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

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

(4)The Company resolved at its shareholders' meeting to acquire GlaxoSmithKline Inc.'s business assets in Ontario Canada with cash in 2020 to expand the overseas and CDMO business. The Company acquired control on 1 December 2020. The bargain purchase gain amounted to NT$387,761 thousand. Please refer to Note VI. 27 to the consolidated financial statement for related information of the business combination.
The Company resolved at its the board meeting in November 2020 to provide financing to BPSI amounting to CAD$16,500 thousand which was presented as other receivables-related parties. The amount of the other receivables-related parties was NT$370,139 thousand(including principle in the amount of NT$368,775 thousand and interest of NT$1,364 thousand). Please refer to Note VII for more detail for related parties.

(5)Share of profit of associates and joint ventures accounted for using the equity methods amounted to NT$607,863 thousand and NT$318,221 thousand for the years ended 31 December 2020 and 2019.

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

8. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Cost:									
1 Jan. 2020	$889,813	$114,294	$92,728	$15,638	$570	$3,165	$7,336	$25,053	$1,148,597
Additions		1,017	1,401	1,120	-	-	-	6,125	9,663
Disposals	-	(70)	(93)	-	-	(16)	-	(295)	(474)
31 Dec. 2020	$889,813	$115,241	$94,036	$16,758	$570	$3,149	$7,336	$30,883	$1,157,786
1 Jan. 2019	$299,335	$82,420	$58,028	$14,630	$586	$3,032	$7,336	$19,785	$485,152
Additions	590,478	31,998	37,935	1,008	-	170	-	7,031	668,620
Disposals	-	(124)	(3,235)	-	(16)	(37)	-	(1,763)	(5,175)
31 Dec. 2019	$889,813	$114,294	$92,728	$15,638	$570	$3,165	$7,336	$25,053	$1,148,597
Depreciation and impairment:									
1 Jan. 2020	$-	$31,922	$39,943	$8,355	$453	$2,452	$5,819	$12,809	$101,753
Depreciation	-	6,495	6,756	1,389	24	109	420	2,388	17,581
Disposals	-	(44)	(79)	-	-	(14)	-	(244)	(381)
31 Dec. 2020	$-	$38,373	$46,620	$9,744	$477	$2,547	$6,239	$14,953	$118,953
1 Jan. 2019	$-	$26,330	$33,278	$6,842	$442	$2,353	$5,399	$11,850	$86,495
Depreciation	-	5,662	8,293	1,513	24	135	420	1,927	17,973
Disposals	-	(70)	(1,628)	-	(13)	(36)	-	(968)	(2,715)
31 Dec. 2019	$-	$31,922	$39,943	$8,355	$453	$2,452	$5,819	$12,809	$101,753
Net carrying amount as at:									
31 Dec. 2020	$889,813	$76,868	$47,416	$7,014	$93	$602	$1,097	$15,930	$1,038,833
31 Dec. 2019	$889,813	$82,372	$52,785	$7,283	$117	$713	$1,517	$12,244	$1,046,844

(1) Components of building that have different useful lives are main building structure, relevant constructions (such as air conditioning units and electrical machinery), which are depreciated over 20 to 50 years and 8 to 10 years, respectively.
(2) Interests were not capitalized in 2020 and 2019.
(3) Please refer to Note VIII for more details on pledges of property, plants, and equipment
(4) Please refer to Note VI. 9 for more details on the purchase of office buildings in 2019 for the purpose of operations, for which parts of them for leasing has been recognized as investment property in proportion, and the rests are for private use.

9. Investment property

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

	Buildings
Cost:	
1 Jan. 2020	$26,673
Additions from acquisitions	-
31 Dec. 2020	$26,673
1 Jan. 2019	$-
Additions from acquisitions	26,673
31 Dec. 2019	$26,673
Depreciation and impairment:	
1 Jan. 2020	$-
Depreciation	834
31 Dec. 2020	$834
1 Jan. 2019	$-
Depreciation	-
31 Dec. 2019	$-
Net carrying amount as at:	
31 Dec. 2020	$25,839
31 Dec. 2019	$26,673

	2020	2019
Net income from investment property	$6,614	$125

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

Investment property held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment property is categorized within Level 3. The fair value of investment property is NT$73,714 thousand and NT$57,378 thousand, as at 31 December 2020 and 31 December 2019, respectively. The fair value has been determined based on valuations performed by an independent valuer. The valuation methods used are the income approach and comparison approach, and the inputs used are as follows:

Income approach:

	31 Dec. 2020	31 Dec. 2019
Net income margin	$105,212	$44,525
Capitalization rate	2.13%	1.62%

Comparison approach:

	31 Dec. 2020	31 Dec. 2019
Regional factors	100%	96%-100%
Individual factors	92%-96%	96%-100%

10. Short-term borrowings

	Interest rates (%)	31 Dec. 2020	31 Dec. 2019
Unsecured bank loans	1.20%~1.60%	$320,000	$175,000
Secured bank loans	1.15%	200,000	-
Total		$520,000	$175,000

The short-term loan amount as at 31 December 2020 and 31 December 2019 are NT$315,000 thousand and NT$280,000 thousand not used.

11. Other payables

	31 Dec. 2020	31 Dec. 2019
Professional service fees payable	$3,524	$17,819
Employees' remuneration payable	11,969	8,790
Bonus payable	26,780	7,200
Salaries payable	8,171	7,704
Directors' remuneration payable	5,800	6,767
Other payable	23,482	22,054
Total	$79,726	$70,334

12. Long-term borrowings

Details of long-term loans as at 31 December 2020 and 31 December 2019 are as follows:

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

Lenders	31 Dec. 2019	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa secured bank loan	$45,149	1.55%	27 September 2013 to 27 September 2028. Principal and interests are repaid by 144 monthly payments, starting from 27 September 2016 to the maturity date, 27 September 2028.
Chang Hwa secured bank loan	534,000	1.36%	23 December 2019 to 23 December 2034. Principal and interests are repaid by 156 monthly payments, starting from 23 December 2021 to the maturity date, 23 December 2034.
Subtotal	579,149		
Less: current portion	(5,160)		
Total	$573,989		

Please refer to Note VIII for more details on pledges for long-term borrowing.

The secured loan with Chang Hwa Bank amounting to NT$45,149 thousand as at 31 December 2019, has been repaid in full on February 2020.

13. Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended 31 December 2020 and 2019 are NT$5,550 thousand and NT$4,929 thousand, respectively.

14. Equities

(1) Common stock

① As of 31 December 2020 and 2019, the Company's authorized capital was both NT$600,000 thousand, divided into 60,000 thousand shares, with par value at NT$10 per share. The issued shares amounted to NT$541,154 thousand and NT$394,272 thousand and, divided into 54,115 thousand shares and 39,427 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

② For the year ended 31 December 2019, the Company's first-time issued unsecured convertible corporate bonds in the amount of NT$100,000 thousand had been converted to 1,118 thousand common shares, amounting to NT$11,181 thousand.

③ Capitalization of retained earnings in the amount of NT$88,471 thousand with par value at NT$10 per share was approved and 8,847 thousand common shares were authorized for issue at the shareholders' meeting held on 11 June 2019. The capital increase was approved by the Financial Supervisory Commission on 27 June 2019 and the registration of change was completed

④ Issuance of 2,200 thousand common shares at NT$10 per share was authorized by the Board of Directors on 8 January 2020. The above-mentioned issuance of common stock for cash includes public offering, employee subscription and original shareholder subscription. The shares were issued at a premium of NT$120 per share. The issuance of common stock was approved by the competent authority and the registration of change was completed on 4 March 2019. Part of shares were reserved for employee subscription. The fair value of such shares was recognized as capital surplus- Additional paid-in capital on the grant day.

⑤ Capitalization of retained earnings in the amount of NT$124,882 thousand with par value at NT$10 per share was approved and 12,488 thousand common shares were authorized for issue by the Board of Directors on 9 March 2020. The capital increase was approved by the Financial Supervisory Commission on 13 October 2020 and the registration of change was completed.

(2) Capital surplus

	31 Dec. 2020	31 Dec. 2019
Additional paid-in capital	$798,313	$551,608
Conversion premium from convertible bonds	88,282	88,282
Employee stock option	29,737	8,904
Treasury stock transaction	35,315	27,438
Total	$951,647	$676,232

According to the 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 2020:

(Unit: thousand shares)

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

For the year ended 31 December 2019:

Cause	Beginning balance	Addition	Decrease	Ending balance
Transfer to employees	156	-	87	69

b. As of 31 December 2020 and 2019, the amount of treasury stocks yet to be canceled were 0 thousand shares and 69 thousand shares. The amount of treasury stocks bought back was NT$ 0 thousand and NT$2,404 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:

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

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

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of IFRS, the FSC on 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. While the amount the Company transferred to retained earnings were negative following the first-time adoption of IFRS, the Company did not set aside special reserve.

Details of the 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 30 March 2021 and 28 May 2020, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2020	2019	2020	2019
Legal reserve	$57,843	$30,503	$-	$-
Special reserve	(171)	(219,179)	-	-
Common stock－cash dividend	108,231	83,254	2	2
Common stock－stock dividend	135,289	124,882	2.5	3

Please refer to Note VI.19 for details on employees' compensation and remuneration to directors and supervisors.

15. Share-based payment plans

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

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

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

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

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

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

Date of grant	Total number of share options granted (Unit)	Exercise price of share options (NT$) (Note)
4 June 2019	1,000	81.5
29 December 2020	275	197

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 execution price shall be adjusted in accordance with the parent company's plan.

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

	2020	2019
Dividend yield (%)	-	-
Expected volatility (%)	44.36%	45.62%
Risk-free interest rate (%)	0.176% ~ 0.201%	0.525%
Expected option life (Years)	3.5 ~ 4.5	2.5
Weighted average share price ($)	197	142
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:

	2020		2019	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	940	107.2	-	-
Granted	275	197	1,000	107.2
Forfeited	(20)	81.5	(60)	107.2
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	1,195	108.1	940	107.2
Exercisable at end of period	-	-	-	-

The information on the outstanding share options as of 31 December 2020 and 2019, is as follows:

	Range of exercise price	Weighted average remaining contractual life (Years)
As at 31 December 2020 share options outstanding at the end of the period	\$81.5~\$197	0.92~4.04
As at 31 December 2019 share options outstanding at the end of the period	\$107.2	1.92

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

No modification or cancellation of share-based payment plan has occurred in the years ended 31 December 2020 and 2019.

(3) The expense recognized for employee services received during the years ended 31 December 2020 and 2019, is shown in the following table:

	2020	2019
Total expense arising from equity-settled share-based payment transactions	\$14,974	\$6,179

16. Operating revenue

	2020	2019
Sales of goods	$234,807	$220,110
OEM	157,298	164,275
Others	24	411
Subtotal	392,129	384,796
Less: sales returns and discounts	(2,335)	(6,657)
Total	$389,794	$378,139

For the years ending 31 December 2020 and 2019, the timing of recognizing revenue from contracts with clients is recognized at a point in time.

Contract liabilities－current

	Opening balance	Ending balance	Difference
Sales of goods	$685	$385	$(300)

The significant changes in the Company's balances of contract liabilities for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
The opening balance transferred to revenue	$651	$1,588

17. Expected credit losses/ (gains)

	2020	2019
Operating expenses – Expected credit losses/(gains)		
Accounts receivables	$(566)	$360

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

Provisions for receivables, including note receivables、note receivables-related parties、accounts receivables and accounts receivables-related parties are estimated at an amount equal to lifetime expected credit losses. Note receivables、note receivables-related parties、accounts receivables and accounts receivables-related parties as at 31 December 2020 and 31 December 2019 are NT$41,279 thousand and NT$35,811 thousand, respectively. Both are not yet due and not recognize provision.The relevant explanation in the evaluation to the amount of provisions for the year ended 31 December 2020 and 2019 is as follows:

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

109.12.31

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	$68,750	$-	$69	$26	$54	$19	$68,918
Loss rate	0.00%	1.51%	1.53%	2.44%	29.36%	42%-100%	
Lifetime expected credit losses	-	-	1	1	16	9	27
Total	$68,750	$-	$68	$25	$38	$10	$68,891

108.12.31

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	$83,789	$29	$147	$27	$39	$703	$84,734
Loss rate	0.01%	0.20%	0.26%	0.93%	37.32%	52%~88%	
Lifetime expected credit losses	9	-	-	-	15	610	634
Total	$83,780	$29	$147	$27	$24	$93	$84,100

The movement in the provision for impairment of accounts receivables for the years ended 31 December 2020 and 2019 is as follows:

	Accounts receivables
Bal. as at 1 Jan. 2020	$634
Addition/(reversal) for the current period	(566)
Write off	(41)
Bal. as at 31 Dec. 2020	$27
Bal. as at 31 Jan. 2019	$274
Addition/(reversal) for the current period	360
Bal. as at 31 Dec. 2019	$634

18. Leases

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

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

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

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2020	31 Dec. 2019
Buildings	$1,661	$2,907

For the year ended 31 December 2020 and 2019, the Company didn't acquire right-of-use assets.

(b) Lease liabilities

	As at	
	31 Dec. 2020	31 Dec. 2019
Lease liabilities	$1,675	$2,911
Current	$1,253	$1,236
Non-current	$422	$1,675

Please refer to NoteVI.20 for the interest on lease liabilities recognized during the years ended 31 December 2020 and 2019 and refer to Note XII.5 Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 Dec.	
	2020	2019
Buildings	$1,246	$2,744
Office equipment	-	206
Total	$1,246	$2,950

C. Income and costs relating to leasing activities

	For the years ended 31 Dec.	
	2020	2019
The expenses relating to short-term leases	$3,909	$3,444
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	153	190

D. Cash outflow relating to leasing activities

During the years ended 31 December 2020 and 2019, the Company's total cash outflows for leases amounting to NT$5,331 thousand and NT$6,655 thousand, respectively.

(2) Company as a lessor

Please refer to Note VI.9 for disclosures of the Company's own investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended 31 Dec.	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$9,844	$-

Please refer to Note VI.9 for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 December 2020 and 2019 are as follow:

	As at	
	31 Dec. 2020	31 Dec. 2019
Not later than one year	$8,571	$-
Later than one year but not later than two years	8,571	-
Later than two years but not later than three years	8,571	-
Later than three years but not later than four years	8,571	-
Later than four years but not later than five years	8,571	-
Later than five years	24,400	-
Total	$67,255	$-

19. Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended 31 December 2020 and 2019:

Function / Character	For the years ended 31 Dec.					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$52,696	$118,672	$171,368	$47,951	$77,757	$125,708
Labor and health insurance	5,589	4,832	10,421	5,282	4,401	9,683
Pension	2,757	2,793	5,550	2,514	2,415	4,929
Directors' remuneration	-	7,605	7,065	-	7,422	7,422
Other employee benefits expense	3,129	1,627	4,756	3,045	1,508	4,553
Depreciation	15,032	4,629	19,661	16,407	4,516	20,923
Amortization	-	555	555	-	313	313

Note：The number of the Company's employees were 163 and 164, including 5 directors who were not concurrently employees, as of December 31, 2020 and 2019, respectively

(1) The Company's average employee benefit expenses for the years ended December 31, 2020 and 2019 were NT$1,216 thousand and NT$911 thousand, respectively.

(2) The Company's average salary expenses for the years ended December 31, 2020 and 2019 were NT$1,085 thousand and NT$791 thousand, respectively.

(3) The Company's average salary expense adjustment for the year ended December 31, 2020 increased by 37.17%.

(4) The Company has established the Audit Committee in place of supervisors and therefore the supervisors' remuneration for the years ended December 31, 2020 and2019 were both nil.

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

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

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

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

Based on the profit of the year ended 31 December 2020, the Company estimated the amounts of the employees’ compensation and remuneration to directors and supervisors for the year ended 31 December 2020 to be NT$11,969 thousand and NT$5,800 thousand, respectively, recognized as salaries. The Company estimated the amounts of the employees’ compensation and remuneration to directors and supervisors for the year ended 31 December 2019 to be NT$6,641 thousand and NT$6,526 thousand, respectively.

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

A resolution was passed at a Board of Directors meeting held on 9 March 2020 to distribute NT$6,909 thousand and NT$5,000 thousand in cash as employees’ compensation and remuneration to directors and supervisors of 2019, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2019 amounted to NT$268 thousand and NT$(1,526) thousand, respectively, were recognized in profit or loss of the subsequent year in 2020.

20. Non-operating income and expenses

(1) Other income

	For the years ended 31 Dec.	
	2020	2019
Interest income	$5,600	$4,660
Others	47,421	18,766
Total	$53,021	$23,426

(2) Other gains and losses

	For the years ended 31 Dec.	
	2020	2019
(Losses) on disposal of property, plant and equipment	$(91)	$(1,287)
Foreign exchange gains (losses), net	6,493	(3,015)
Gains on financial assets at fair value through profit or loss	83	434
Others	(73)	(213)
Total	$6,412	$(4,081)

(3) Finance costs

	For the years ended 31 Dec.	
	2020	2019
Interest on borrowings from bank	$9,167	$1,495
Interest on bonds payable (Note)	-	1,705
Interest on lease liabilities	32	123
Total finance costs	$9,199	$3,323

Note: Unsecured domestic convertible bonds issued on 6 July 2018 were all converted to common stock on 31 December 2019.

21. Components of other comprehensive income

Year ended 31 December 2020

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

Year ended 31 December 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Tax Benefit (Expense)	Net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Loss from sale of fair value through other comprehensive income financial assets	$(214)	$-	$(214)	$43	$(171)

22. Income tax

The major components of income tax expense (income) for the years ended 31 December 2020 and 2019 are as follows:

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

	For the years ended 31 Dec.	
	2020	2019
Current income tax expense (income):		
Current income tax charge	$3,311	$10,837
Adjustments in respect of current income tax of prior periods	(2,671)	-
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	1,623	779
Other components of deferred tax expense (income)	-	859
Total income tax expense	$2,263	$12,475

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

	For the years ended 31 Dec.	
	2020	2019
Deferred tax expense (income):		
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	$(1,303)	$43

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

	For the years ended 31 Dec.	
	2020	2019
Accounting profit before tax from continuing operations	$580,689	$317,506
Tax at the domestic rates applicable to profits in the country concerned	$116,138	$63,501
Tax effect of losses offset	5,682	3,303
Tax effect of revenues exempt from taxation	(84,218)	(65,175)
Tax effect of expenses not deductible for tax purposes	-	10
Corporate income surtax on undistributed retained earnings	3,311	10,836
Tax effect of deferred tax assets/liabilities	(35,979)	-
Adjustments in respect of current income tax of prior periods	(2,671)	-
Total income tax expense recognized in profit or loss	$2,263	$12,475

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

For the year ended 31 December 2020

	Beginning balance as at 1 Jan. 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at 31 Dec. 2020
Temporary differences				
Allowance for inventory valuation losses	$1,082	$(110)	$-	$972
Exchange differences on translation of foreign operations	43	-	(1,303)	(1,260)
Compensated absences provisions	116	-	-	116
Unrealized gains (losses) from financial instrument	(2)	2	-	-
Unrealized gains (losses) from affiliate transaction	431	(95)	-	336
Valuation of foreign investment under equity method	1,420	(1,420)	-	-
Business combination – negative goodwill	(60,931)	-	-	(60,931)
Deferred tax (expense)	-	$(1,623)	$(1,303)	
Net deferred tax assets/(liabilities)	$(57,841)			$(60,767)
Reflected in balance sheet as follows				
Deferred tax assets	$3,092			$1,424
Deferred tax liabilities	$60,933			$62,191

For the year ended 31 December 2019

	Beginning balance as at 1 Jan. 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Deferred tax income (expense) charged directly to equity	Ending balance as at 31 Dec. 2019
Temporary differences					
Allowance for inventory valuation losses	$3,138	$(2,056)	$-	$-	$1,082
Provision-onerous contract	834	(834)	-	-	-
Exchange differences on translation of foreign operations	-	-	43	-	43
Compensated absences provisions	116	-	-	-	116
Unrealized gains (losses) from financial instrument	-	(2)			(2)
Unrealized gains (losses) from affiliate transaction	526	(95)	-	-	431
Convertible bond equity element	(788)	(71)	-	859	-
Valuation of foreign investment under equity method	-	1,420	-	-	1,420
Business combination – negative goodwill	(60,931)	-	-	-	(60,931)
Deferred tax income/ (expense)		$(1,638)	$43	$859	
Net deferred tax assets/(liabilities)	$(57,105)				$(57,841)
Reflected in balance sheet as follows					
Deferred tax assets	$4,614				$3,092
Deferred tax liabilities	$61,719				$60,933

(5) The assessment of income tax returns

As of 31 December 2020, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2018

23. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity 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 Dec.	
	2020	2019
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$578,426	$305,031
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	53,755	50,193
Basic earnings per share (NT$)	$10.76	$6.08

	For the year ended 31 Dec.	
	2020	2019
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$578,426	$305,031
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	53,755	50,193
Effect of dilution:		
Employee compensation－stock (in thousands)	-	62
Employee stock options (in thousands)	419	105
Weighted average number of ordinary shares outstanding after dilution (in thousands)	54,174	50,360
Diluted earnings per share (NT$)	$10.67	$6.06

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

VII. Related party transactions

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Union Chemical & Pharmaceutical Co., Ltd.	Subsidiaries
Yuta Health Co., Ltd.	Subsidiaries
Bora Pharmaceutical Laboratories Inc.	Subsidiaries
Bora Pharmaceuticals USA Inc.	Subsidiaries
Bora Pharmaceutical Services Inc.	Subsidiaries (Note)
HOAN PHARMACEUTICALS LTD.	Substantive related party

Note：Bora Pharmaceutical Services Inc. registered and established in early May 2020.

Significant transactions with the related parties

1. Sales

	Years Ended 31 Dec.	
	2020	2019
HOAN PHARMACEUTICALS LTD.	$41,044	$37,424
Yuta Health Co., Ltd.	-	2,810
Union Chemical & Pharmaceutical Co., Ltd.	134	-
Total	$41,178	$40,234

The sales prices are the same between associates and non-related parties. The collection period is month-end 120 days, which is comparable with third party transaction.

2. Purchases

	Years Ended 31 Dec.	
	2020	2019
HOAN PHARMACEUTICALS LTD.	$49,185	$35,530
Union Chemical & Pharmaceutical Co., Ltd.	52,029	30,733
Bora Pharmaceutical Laboratories Inc.	120	13,440
Yuta Health Co., Ltd.	-	108
Total	$101,334	$79,811

The purchase prices to the related parties was determined by costs plus expenses that are necessary. The purchase price and payment terms from the related party suppliers are comparable with third party suppliers and are 120 days.

3. Nots Receivables - related parties

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$-	$3,564

4. Accounts receivable-related parties

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$18,136	$12,971
Less: loss allowance	-	-
Net	$18,136	$12,971

5. Other receivables-related parties

	31 Dec. 2020	31 Dec. 2019
Bora Pharmaceutical Laboratories Inc.(Note)	$583,256	$643,807
Bora Pharmaceutical Services Inc.	370,139	-
Union Chemical & Pharmaceutical Co., Ltd.	840	420
Yuta Health Co., Ltd.	210	425
HOAN PHARMACEUTICALS LTD.	49	6
Total	$954,494	$644,658

Note： The Company acquired Bora Pharmaceutical Laboratories Inc.'s right as a creditor when the Company acquired the shares of Bora Pharmaceutical Laboratories Inc. The other receivables of Bora Pharmaceutical Laboratories Inc. amounted to NT$572,597 thousand and NT$636,933 thousand as at 31 December 2020 and 2019, respectively. The amount included interest revenue recognized for the years ended 31 December 2020 and 2019 in the amount of NT$4,111 thousand and NT$4,099 thousand, respectively.

6. Notes payables-related parties

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$-	$3,315
Union Chemical & Pharmaceutical Co., Ltd.	-	800
Total	$-	$4,115

7. Accounts payable -related parties

	31 Dec. 2020	31 Dec. 2019
Bora Pharmaceutical Laboratories Inc.	$-	$14,112
Union Chemical & Pharmaceutical Co., Ltd.	12,144	11,608
HOAN PHARMACEUTICALS LTD.	14,706	6,809
Total	$26,850	$32,529

8. Other payables-related parties

	31 Dec. 2020	31 Dec. 2019
Bora Pharmaceutical Laboratories Inc.	$976	$1,788
HOAN PHARMACEUTICALS LTD.	1,686	467
Union Chemical & Pharmaceutical Co., Ltd.	1,330	380
Yuta Health Co., Ltd.	8	8
Total	$4,000	$2,643

9. Sales and marketing expenses

	31 Dec. 2020	31 Dec. 2019
HOAN PHARMACEUTICALS LTD.	$4,497	$4,323

10.Others

a. The Company executed a Service Agreements with the subsidiaries, and the Company dispatches personnel to provide the service during the period, other revenue recognized for the years ended 31 December 2020 and 2019 amounting to NT$36,600 thousand and NT$18,000 thousand, respectively.
b. Financing provided to others for the year ended 31 December 2020, please refer to Attachment 1~2.

11. Key management personnel compensation

	Years Ended December 31	
	2020	2019
Short-term employee benefits	$33,452	$15,938
Post-employment benefits	108	108
Total	$33,560	$16,046

VIII.Assets pledged as security

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

	Carrying amount		
Items	31 Dec. 2020	31 Dec. 2019	Secured liabilities
Property, plant and equipment - land	$889,813	$889,813	Short-term loans and Long-term loans
Property, plant and equipment - buildings	62,168	67,711	Short-term loans and Long-term loans
Investment property	25,839	26,673	Long-term loans
Total	$977,820	$984,197	

IX. Significant contingencies and unrecognized contractual commitments

(1) On 29 June 2018, Gilead Sciences, Inc.US filed a patent infringement action with the Intellectual Property Court against the Company and Biofrontier Inc. Asia, which outsourced the production of 'Teno B Tablets 300mg' to the Company. Gilead Sciences, Inc.US claimed that this outsourcing production of this type of prescription drug infringed on its patent of 'Nucleotide Analog and Pharmaceutical Composition Containing the Same' filed in Intellectual Property Office MOEA R.O.C with certificate number I224103. The aforementioned action had been settled on 28 October 2019, in which the Company reached a settlement with Gilead Sciences, Inc.US. Pursuant to the Company's outsourcing manufacturing contract with Biofrontier Inc., any litigation and compensation deriving from this outsourcing manufacturing shall be borne by Biofrontier Inc. Asia. The settlement was considered to have no significant impact on the Company's overall operation.

(2) As of 31 December 2020, the construction contracts that the Company have are as follows:

Construction name	Amount	Paid amount	Unpaid amount
Interior design and decoration project for Ruiguang Building	$33,873	$22,846	$11,027
Appearance improvement project for Ruiguang Building	21,000	10,280	10,720

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Financial instruments

1. Categories of financial instruments

Financial assets	As at	
	31 Dec. 2020	31 Dec. 2019
Financial assets at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	$-	$60,014
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	98,597	143,833
Notes receivables (including related parties)	23,143	28,440
Accounts receivable (including related parties)	87,027	97,071
Other receivables (including related parties)	956,558	648,623
Total	$1,165,325	$977,981

Financial liabilities	As at	
	31 Dec. 2020	31 Dec. 2019
Financial liabilities at amortized cost		
Short-term borrowings	$520,000	$175,000
Accounts and other payables	117,937	117,395
Long-term borrowings (including current portion with		579,149
maturity less than 1 year)	534,000	
Lease liabilities	1,675	2,911
Total	$1,173,612	$874,455

2. Financial risk management objectives and policies

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

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

3. Market risk

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

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

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a increase of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2020 and 2019 to decrease by NT$957 thousand and NT$611 thousand, respectively.

4. Credit risk management

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

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

As of 31 December 2020 and 31 December 2019, accounts receivables from top ten customers represent 79% and 83% of the total trade receivables of the Company, respectively. The credit concentration risk of other trade receivables is insignificant.

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

5. Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2020					
Borrowings	$523,909	$92,885	$91,078	$384,064	$1,091,936
Accounts and other payables	117,937	-	-	-	117,937
Lease liabilities	1,268	423	-	-	1,691

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2019					
Borrowings	$180,816	$63,407	$105,377	$454,483	$804,083
Accounts and other payables	117,395	-	-	-	117,395
Lease liabilities	1,268	1,691	-	-	2,959

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2020:

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

Reconciliation of liabilities for the year ended 31 December 2019:

	Short-term loans	Long-term loans	Leases liabilities	Convertible bonds payable	Total liabilities from financing activities
As at 1 Jan. 2019	$-	$49,927	$9,573	$97,370	$156,870
Cash flows	175,000	529,222	(2,899)	-	701,323
Non-cash changes	-	-	(3,763)	(97,370)	(101,133)
As at 31 Dec. 2019	$175,000	$579,149	$2,911	$-	$757,060

7. Fair values of financial instruments

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

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

A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

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

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

(2) Fair value measurement hierarchy for financial instruments

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

8. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

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

As at 31 December 2020: None.

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded derivatives	$60,014	$-	$-	$60,014

Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

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

For the year ended 2020: None.

	Assets
	At fair value through profit or loss - current
	Derivatives
Beginning balances as at 1 January 2019	$130
Total gains and losses recognized for the year ended 31 December 2019	
Amount recognized in profit or loss (presented in "other profit or loss")	420
Disposal/settlements for the year ended 31 December 2019	(550)
Ending balances as at 31 December 2019	$-

Information on significant unobservable inputs to valuation

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

As at 31 December 2020

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

As at 31 December 2019

	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	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$149 thousand

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

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

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

As at 31 December 2020

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

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	$-	$-	$57,378	$57,378

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

10. Capital management

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

XIII. Other disclosure

1. Information at significant transactions
   (a) Financing provided to others for the year ended 31 December 2020: Please refer to Attachment 1.
   (b) Endorsement/Guarantee provided to others for the year ended 31 December 2020: Please refer to Attachment 2.
   (c) Securities held as of 31 December 2020(exclude investment subsidiaries, affiliated companies and joint venture control parts) : Please refer to Attachment 3.
   (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2020: Attachment 4.
   (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 2020: Attachment 5.
   (f) Disposal of indidual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2020: 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 2020: None.
   (h) Receivables from related parties with amounts exceeding the lower of NT$100 million

or 20 percent of capital stock as of 31 December 2020: Please refer to Attachment 6.

(i) Financial instruments and derivative transactions: None.

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

3. Investment in Mainland China: None.

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

Attachment 1

Financing provided to others

No. (Note 1)	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount	Interest rate	Nature of financing (Note 4)	Transaction Amounts (Note 5)	Reason for short-term financing (Note 6)	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Services Inc.	Other receivables-related parties	Yes	$368,775 (CAD $16,500 thousand)	$368,775 (CAD$16,500 thousand)	$368,775 (CAD$16,500 thousand)	3%	2	$-	Need for operating	$-	None	$-	$985,906	$1,232,382

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

(1) The Company is coded "0".

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

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

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

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

Note 3: Limit of total financing amount:

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

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

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

(1) Business contacts is coded "1".

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

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

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

Attachment 2

Endorsement/Guarantee provided to others

No. (Note 1)	Endorsor/ Guarantor	Guaranteed party		Limits on Endorsement/ Guarantee to Each Guaranteed Party (Note3)	Maximum Balance for the Period	Ending balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee Amount to Net Equity per Latest Financial Statement	Maximum Endorsement/ Guarantee Amount Allowable (Note 4)	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Company name	Releationship (Note 2)										
0	Bora Pharmaceuticals Co., Ltd.	Yuta Health Co., Ltd.	2	$12,323,820	$160,000	$160,000	$115,000	$-	6.49%	$12,323,820	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Laboratories Inc.	2	$12,323,820	$657,500	$587,500	$255,500	$-	23.84%	$12,323,820	Y	N	N
0	Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Services Inc.	3	$12,323,820	$5,162,850	$5,162,850	$4,643,496	$-	209.47%	$12,323,820	Y	N	N
1	Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	3	$7,298,955	$1,676,250	$1,676,250	$1,156,896	$-	229.66%	$7,298,955	N	N	N

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

(1) The Company is coded "0".

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

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

(1) A company with which it does business.

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

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

(4) A parent company in which the company holds directly or the subsidiaries hold indirectly, 50% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

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

Limit of guarantee/endorsement amount for each receiving party of Bora Pharmaceutical Laboratories Inc. is 10 times of its net worth.

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

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

Attachment 3

Securities held as of 31 December 2020. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities (Note1)	Relationship	Financial statement account	as of 31 December 2020				Note
				Shares/Units(thousand)	Carrying amount	Percentage of ownership	Fair value	
The Company	Non-listed stock－Taifong Venture Capital Co.	None	Financial assets measured at fair value through other comprehensive income-noncurrent	490,000	$- (Note 2)	19.69%	$-	No pledged

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

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

Attachment 4

Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 percent of the capital stock

Company	Type and name of securities	Financial statement account	Counter-party	Releationship	As of 1 Jan. 2020		Purchase		Sell				As of 31 Dec. 2020	
					Shares	Amount	Shares	Amount (Note)	Shares	Price	Cost	Gain/loss	Shares	Amount
The Company	Bora Pharmaceutical Services Inc.	Investments accounted for using the equity method	Bora Pharmaceutical Services Inc.	Investee accounted for using the equity method	-	$-	100,000,000	$219,279	-	$-	$-	$-	100,000,000	$219,279
Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	Investments accounted for using the equity method	Bora Pharmaceutical Services Inc.	Investee accounted for using the equity method	-	$-	100,000,000	$213,100	-	$-	$-	$-	100,000,000	$213,100

Attachment 5

Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock

Company	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price reference	Purpose and Usage of Acquisition	Other Commit ments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
Bora Pharmaceutical Services Inc.	Land, buildings and equipments	9 Mar. 2020	$791,439 (CAD$36,000 thousand)	$791,439 (CAD$36,000 thousand)	Glaxo Smith Kline Trading Service Limited.	None	-	-	-	$ -	Bargain	For operation	None

Attachment 6

Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2020

Company Name	Counter-party	Relationship	Ending Balance of Receivables from Related Party (Note 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts	Note
					Amount	Action Taken			
Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Laboratories Inc.	Subsidiary	Other receivables $572,597	Note 1	Note 1	Note 1	$-	Note 1	
Bora Pharmaceuticals Co., Ltd.	Bora Pharmaceutical Services Inc.	Subsidiary	Other receivables $370,139	Note 2	Note 2	Note 2	$-	Note 2	

Note 1: Not applicable as the claim arose from acquisition.

Note 2: Not applicable as the claim arose from loan. Please refer to Attachment 1 for more details.

Attachment 7

Information on investees: (Excluding investment in Mainland China)

Investor	Investee company	Location	Main businesses	Initial Investment Amount		Balance as of 31 December 2020			Net income (loss) of investee	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Shares	Percentage of ownership	Carrying amount			
The Company	Union Chemical & Pharmaceutical Co., Ltd.	Taipei City, Taiwan	Pharmaceutical Manufacturing and wholesale	$185,875	$185,875	3,000,000	100%	$68,944	$7,914	$7,107 (Note 1)	
The Company	Yuta Health Co., Ltd.	Taipei City, Taiwan	Pharmaceutical wholesale and healthcare product wholesale	$83,099	$83,099	8,000,000	100%	$89,481	$7,906	$7,906	
The Company	Bora Pharmaceutical Laboratories Inc.	Miaoli County, Taiwan	Pharmaceutical Manufacturing and CDMO	$756,810	$756,810	125,000,000	100%	$725,540	$448,544	$448,544	
The Company	Bora Pharmaceuticals USA Inc	State of Delaware, USA	Pharmaceutical wholesale	$59,969	$15,279	500,000	100%	$9,102	$(42,736)	$(42,736)	
The Company	Bora Pharmaceutical Services Inc.	Province of Ontario, Canada	Pharmaceutical Manufacturing and CDMO	$219,279	$-	100,000,000	50%	$413,653	$374,084	$187,042 (Note 2)	
Bora Pharmaceutical Laboratories Inc.	Bora Pharmaceutical Services Inc.	Province of Ontario, Canada	Pharmaceutical Manufacturing and CDMO	$213,100	$-	100,000,000	50%	$413,653	$374,084	$187,042 (Note 2)	

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

Note 2: The profit and loss is recognized from the date of subsidiary establishment date (May 2020) to the end of the year.

Attachment 8

Information on major shareholders

Shares / Name of major shareholders	Shares	Percentage of Ownership
Baolei Co., Ltd.	10,352,431	19.13%
Reibaoshin Co., Ltd.	7,213,562	13.32%

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

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

BORA PHARMACEUTICALS CO., LTD

1.Statement of cash and cash equivalents

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Cash on hand		$ 216	
Bank demand deposits		98,382	
Foreign currency deposits	RMB 264.28 dollar	1	Exchange Rate of RMB to NTD is 1:4.377
Foreign currency deposits	USD 7,327.71 dollar	209	Exchange Rate of USD to NTD is1:28.48
Foreign currency deposits	CAD 233.62 dollar	5	Exchange Rate of CAD to NTD is1:22.35
合　　計		$98,813	

BORA PHARMACEUTICALS CO., LTD

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

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
A Company	Drugs	$5,406	The amount of individual client in others does not exceed 5% of the account balance.
B Company	Drugs	5,189	
C Company	Drugs	2,510	
D Company	Drugs	2,167	
E Company	Drugs	1,747	
F Company	Drugs	1,170	
Others		4,954	
Subtotal		23,143	
Less: allowance for doubtful accounts		-	
Total		$23,143	

BORA PHARMACEUTICALS CO., LTD

3.Statement of Accounts Receivable, net and Accounts Receivable-related parties, net

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
G Company	OEM	$37,360	1.The amount of individual client in others does not exceed 5% of the account balance.
H Company	Drugs	18,136	
Others		31,558	
Subtotal		87,054	
Less: allowance for doubtful accounts		(27)	2.The allowance for loss is estimated based on the possibility of recovery.
Total		$87,027	

BORA PHARMACEUTICALS CO., LTD

4.Statement of Inventories

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Amount		Note
	Cost	Net Realizable Value	
Raw materials	$9,805	$9,764	The net realizable value.
Supplies & parts	1,250	1,249	is the market price
Work in process	8,771	8,771	
Semi-finished goods	1,839	1,839	
Finished goods	10,413	19,423	
Merchandise	19,583	27,731	
Subtotal	51,661	$68,777	
Less:Allowance for inventory valuation losses	(4,863)		
Total	$46,798		

BORA PHARMACEUTICALS CO., LTD

5.Statement of prepayments

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Prepayment for purchases		$14,737	The amount of individual item in others does not exceed 5% of the account balance.
Prepaid insurance expenses		1,277	
Others		4,401	
Total		$20,415	

BORA PHARMACEUTICALS CO., LTD

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

From 1 January 2020 to 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Investee Company	Balance as at 1 Jan. 2020		Increase			Decrease			Balance as at 31 Dec.2020			Fair Value or Net Asset Value		Situation of warranty or pledge provided	Note
	Shares (thousand)	Amount	Shares (thousand)	Amount		Shares (thousand)	Amount		Number of shares (thousand)	Shareholding Ratio	Amount	Unit Price (NTD)	Total Price		
1.Union Chemical & Pharmaceutical Co., Ltd.	3,000	$64,232	-	$7,107	(NOTE1)	-	$2,870	(NOTE2)	3,000	100.00%	$68,945	$23.91	$71,741	None	(NOTE6)
				476	(NOTE3)										
2.Yuta Health Co., Ltd.	8,000	81,575		7,906	(NOTE1)	-	-		8,000	100.00%	89,481	11.19	89,481	〃	
3.Bora Pharmaceutical Laboratories Inc.	125,000	266,188		448,544	(NOTE1)	-	-		125,000	100.00%	725,540	5.80	725,540	〃	
				10,808	(NOTE5)										
4.Bora Pharmaceuticals USA Inc.	500	7,962	-	44,690	(NOTE4)	-	42,736	(NOTE1)	500	100.00%	9,101	18.20	9,101	〃	
							815	(NOTE5)							
5.Bora Pharmaceutical Services Inc.	-	-	100,000	219,279	(NOTE4)				100,000	50.00%	413,653	4.14	827,305	〃	(NOTE7)
				187,042	(NOTE1)										
				7,332	(NOTE5)										
Total		$419,957		$933,184			$46,421				$1,306,720				

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

NOTE2：Cash dividend distribution.

NOTE3：Downstream transactions write off.

NOTE4：Increase investment.

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

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

NOTE7：The difference between balance as at 31 Dec.2020 and net asset value is due to the Company held 50% of shares.

BORA PHARMACEUTICALS CO., LTD

7.Statement of Changes in Right-of-use Asset

From 1 January 2020 to 31 December 2020

Unit: Thousand New Taiwan Dollars

Items	Amount at the beginning of the period	Increase amount	Decrease amount	Amount at the end of the period	Note
Buildings	$3,760	$-	$-	$3,760	
Office equipment	206	-	-	$206	
Total	$3,966	$-	$-	$3,966	

BORA PHARMACEUTICALS CO., LTD

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

From 1 January 2020 to 31 December 2020

Unit: Thousand New Taiwan Dollars

Items	Amount at the beginning of the period	Increase amount	Decrease amount	Amount at the end of the period	Note
Buildings	$853	$1,246	$-	$2,099	
Office equipment	206	-	-	206	
Total	$1,059	$1,246	$-	$2,305	

BORA PHARMACEUTICALS CO., LTD

9.Statement of Short-term Loans

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Type	Bank	Ending balance	Contract Term	Interest Rate	Situation of warranty or pledge provided	Note
Secured loan	Chang Hwa Commercial Bank	$200,000	109/12/1-110/01/29	1.15%～1.34%	Land and buildings	
Unsecured loan	CTBC Bank	25,000	109/09/04-110/03/04		None	
Unsecured loan	Far Eastern International Bank	80,000	109/12/18-110/03/18		None	
Unsecured loan	Hua Nan Commercial Bank	30,000	109/11/17-110/02/17		None	
Unsecured loan	Hua Nan Commercial Bank	40,000	109/10/23-110/01/22		None	
Unsecured loan	Taipei Fubon Commercial Bank	50,000	109/11/2-110/1/31		None	
Unsecured loan	Land Bank of Taiwan	70,000	109/07/20-110/01/16		None	
Unsecured loan	Mega International Commercial Bank	25,000	109/11/17-110/05/16		None	
Total		$520,000				

BORA PHARMACEUTICALS CO., LTD

10.Statement of Notes Payable

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Vendor	Description	Amount	Note
I Company		$240	The amount of individual supplier in others does not exceed 5% of the account balance.
Others		16	
Total		$256	

BORA PHARMACEUTICALS CO., LTD

11.Statement of Accounts Payable

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Vendor	Description	Amount	Note
J Company		$4,383	The amount of individual supplier in others does not exceed 5% of the account balance.
K Company		955	
L Company		743	
M Company		449	
Others		575	
Total		$7,105	

BORA PHARMACEUTICALS CO., LTD

12.Statement of Other Current Liabilities

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Payments on behalf of others		$2,398	
Temporary receipts		19	
Total		$2,417	

BORA PHARMACEUTICALS CO., LTD

13.Statement of Long-Term Loans

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Bank	Type	Ending balance	Current Portion	Net	Contract Term	Interest Rate	Situation of warranty or pledge provided	Repayment
Chang Hwa Commercial Bank	Secured loan	$534,000	$3,423	$530,577	108.12.23~123.12.23	1.11%	Land and Buildings	Principal and interests are repaid by 156 monthly payments, starting from 23 December 2021 to the maturity date, 23 December 2034.

BORA PHARMACEUTICALS CO., LTD

14.Statement of Lease Liabilities

As at 31 December 2020

Unit: Thousand New Taiwan Dollars

Items	Summary	Lease Term	Discount Rate (%)	Ending balance	Note
Buildings	Mainly for the use of offices	5 years	1.37%	$1,675	

BORA PHARMACEUTICALS CO., LTD
15.Statement of Operating Costs
From 1 January 2020 to 31 December 2020
(Expressed in Thousands of New Taiwan Dollars)

Items	Ending balance	Note
Cost of self-made product		
Direct material		
Balance, beginning of year	$13,959	
Add: Raw material purchased	4,654	
gain on physical count	34	
Less: Raw material, end of year	(9,805)	
raw materials sold	(1,183)	
Raw materials scraped	(372)	
Other	(41,332)	
Direct material used	(34,045)	
Indirect material		
Indirect material, beginning of year	1,218	
Add: Indirect material purchased	1,266	
gain on physical count	128	
Less: Indirect material, end of year	(1,250)	
Indirect material sold	(398)	
Indirect material scraped	(43)	
Other	(39,529)	
Indirect material used	(38,608)	
Direct labor	26,391	
Manufacturing Expenses	85,623	
Manufacturing costs	39,361	
Add: Work in process, beginning of year	11,276	
Other	82,848	
Less: Work in process, end of year	(10,610)	
Work in process scrap	(2,132)	
Other	(5,207)	
Cost of Finished goods	115,536	
Add: Finished goods, beginning of year	17,790	
Other	1,178	
Less: Finished goods, end of year	(10,413)	
Finished goods scrap	(210)	
Other	(117)	
Subtotal of self-made product	123,764	
Cost of merchandise		
Merchandise, Beginning of year	20,941	
Add: Merchandise purchased	164,128	
Other	3,912	
Less: Merchandise, end of year	(19,583)	
Merchandise scraped	(3,128)	
gain on physical count	(42)	
Other	(6)	
Subtotal of merchandise	166,222	
Other operating cost		
Loss on scrap	5,885	
Loss on slow-moving inventories	(547)	
Materials and Work in process sold	1,581	
Gain on physical count	(120)	
Other	(962)	
Total Operating Costs	$295,823	

BORA PHARMACEUTICALS CO., LTD

16.Statement of Operating Expenses

From 1 January 2020 to 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll and related expense	$14,012	$96,359	$11,094	$121,465
Depreciation	194	2,948	1,487	4,629
Research and development expense	-	-	2,103	2,103
Commission expense	6,873	-	-	6,873
Other expenses	2,200	4,719	795	7,714
Expected credit losses(gain)	-	(566)	-	(566)
Other(Note)	5,817	20,707	3,113	29,637
Total	$29,096	$124,167	$18,592	$171,855

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

VI. In the event that the Company and its affiliates have experienced financial difficulties in the most recent year and as of the date of the annual report, the impact on the Company's financial position should be stated:

None.

G. Review, Analysis, and Risks of Financial Conditions and Performance

I. Review and Analysis Table of Financial status

Unit: NTD thousands

Year / Accounting items	2020	2019	Difference	
			Amount	%
Current assets	2,626,542	1,246,259	1,380,283	110.75
Property, plant and equipment	3,818,782	1,738,321	2,080,461	119.68
Intangible assets	4,930	18,469	(13,539)	(73.31)
Other assets	553,925	379,575	174,350	45.93
Total assets	7,004,179	3,382,624	3,621,555	107.06
Current liabilities	2,286,061	557,046	1,729,015	310.39
Non-current liabilities	2,253,354	1,171,827	1,081,527	92.29
Total liabilities	4,539,415	1,728,873	2,810,542	162.56
Capital stock	541,154	394,272	146,882	37.25
Capital surplus	951,647	676,232	275,415	40.73
Retained earnings	961,012	590,722	370,290	62.68
Other equity	10,951	(5,071)	16,022	(315.95)
Treasury stock	-	(2,404)	2,404	(100.00)
Non-controlling equity	-	-		
Total shareholder equity	2,464,764	1,653,751	811,013	49.04

1. The major reasons for the significant changes in assets, liabilities and equity in the last two years and their effects (for changes of 20% or more in the preceding and following periods, and the amount of such changes reaching NT$10 million)
   (1) Increase in assets and liabilities: Mainly due to the acquisition of GlaxoSmithKline Inc' (GSK) operating assets (land, plants and equipment) in Canada from December 2020.
   (2) Increase in Capital Stock: Mainly due to the cash capital increase and stock dividend payment in 2020.
   (3) Increase in Capital Surplus: Mainly due to the cash capital increase premium in 2020.
   (4) Changes in Retained Earnings: Mainly due to the acquisition of GlaxoSmithKline Inc' (GSK) operating assets (land, plants and equipment) in Canada in 2020 resulted in a gains on bargain purchases and an increase in CDMO services.
   (5) Other equity changes: Mainly due to fluctuations in exchange differences in the conversion of financial statements of foreign operating institutions.
2. Future response plans: The above changes had no material adverse effect on the Company and its subsidiaries.

II. Review and Analysis Table of Financial Performance

(I) Comparative financial performance analysis table

Unit: NTD thousands

Accounting items \ Year	2020	2019	Difference	
			Amount	%
Operating revenue	1,799,570	1,529,216	270,354	17.68
Operating costs	1,095,686	886,182	209,504	23.64
Gross profit	703,884	643,034	60,850	9.46
Operating expenses	477,807	298,188	179,619	60.24
Net operating profit	226,077	344,846	(118,769)	(34.44)
Non-operating income and expenses	369,322	(19,496)	388,818	(1,994.35)
Income from continuing operations before income tax	595,399	325,350	270,049	83.00
Income tax benefits (expenses)	(16,973)	(20,319)	3,346	(16.47)
Income from continuing operations after income tax	578,426	305,031	273,395	89.63

1. The main reasons for the significant changes in operating income, net operating income and net income before income tax for the last two years:

(For changes of 20% or more in the prior and subsequent periods, and when the amount of change reaches NTD 10 million)

(1) Increase in operating revenue: Mainly due to the increase in turnover resulted from the December 2020 acquisition of GlaxoSmithKline Inc' (GSK) operating assets (land, plants and equipment) in Canada.

(2) Decrease in net operating profit: Mainly due to the one-time costs for the acquisition transaction of GlaxoSmithKline Inc' (GSK) operating assets (land, plants and equipment) in Canada.

(3) Increase in net income before tax: Mainly due to the acquisition of GlaxoSmithKline Inc' (GSK) operating assets (land, plants and equipment) in Canada in 2020, and entry into accounts in accordance with the IFRSs resulted in gains on bargain purchases.

2. Future response plans: The above changes had no material adverse effect on the Company and its subsidiaries.

(II) Expected sales volume and basis, possible impact on the Company's future financial operations and response plans:

Based on the Company's major customers and forecasts for their downstream customers, as well as the Company's many years of experience in the industry, we have established a plan to ensure that our procurement, outsourcing and production can be coordinated based on circumstances. The Company continues to develop new markets and customers and expects to continue to grow sales and improve profitability in the future.

III. Cash flow ratio analysis

(I) Analysis of annual cash flow changes in the most recent year

Unit: NTD thousands

Item \ Year	2020	2019	Increase (decrease) ratio %
Operating activities	177,790	231,770	(23.29)
Investment activities	(1,538,060)	(827,486)	85.87
Financing activities	1,577,548	551,007	186.30

Analysis of changes in proportion:

1. Operating activities: In 2020, the cash outflow was mainly due to the payment for merger and acquisition consulting services.
2. Investment activities: Cash outflow was mainly due to the acquisition of GlaxoSmithKline Inc' (GSK) operating assets.
3. Financing activities: The cash inflow in 2020 was mainly due to the bank loan for merger and acquisition.

(II) Improvement plan for lack of liquidity: There is no liquidity shortfall in 2020.

(III) Cash Flow Analysis for the Following Year (2021)

Unit: NTD thousands

Cash balance at beginning of the period A	Net cash flow from operating activities for the year B	Cash flows from investments and financing for the year C	Cash surplus (Shortfall) Amount A+B+C	Cash Shortfall Remedial measures	
				Investment plan	Financing plan
667,985	303,264	(217,163)	756,086	—	—

Cash flow analysis:

1. Operating activities: The Canadian facility will be in operation by the end of 2020, which is expected to increase the overall operating income and result in an overall net cash inflow from operating activities for 2021.
2. Investment activities: The cash outflow was mainly due to capital expenditures for for the annual maintaining of plants and equipment.
3. Financing activities: The cash outflow was mainly due to the payment of cash dividends and repayment of bank loans.
4. Estimated cash shortfall remediation measures and liquidity analysis. As a result of the consolidated effect of operation, the Company will wait for the appropriate time

to increase cash capital.

IV. Effect of Major Capital Spending on Financial Position and Business Operation in the Most Recent Year:

Due to the rapid growth of the Company's overall operating scale and to continue driving growth, the Company's main expenditures were the annual maintaining of plants and equipment for operating activities, which should not have a significant impact on the Company's financial operations.

V. Reinvestment policy in the Most Recent Year, profit/loss and main reasons, improvement plan, and investment plan for the coming year:

(I) The Company's Reinvestment Policy

Based on factors such as operational needs or future growth considerations, the Company has completed the integration of the industry value chain from marketing, channel, R&D to production within a few years to ensure that each business area has access to comprehensive resources and mutual support from each other, forming the core strength of the Company. The Company also keeps track of the operating status and analyzes the effectiveness of its invested businesses for post-investment tracking and evaluation by management decision-making.

(II) Profit or loss on reinvestment and improvement plan for fiscal 2020:

December 31, 2020; Unit: NTD thousands

Reinvestment company	Recognized (loss) gain	Main reasons for gain or loss	Improvement Plan
Union Chemical & Pharmaceutical Co., Ltd.	7,107	Steady growth in operations	Union Chemical & Pharmaceuticals, a subsidiary of the Company, continues to be profitable as the Company continues to develop its drug licenses.
Yuta Health Co., Ltd.	7,906	Steady growth in operations	The Company's subsidiary, Yuta Health, continues to be profitable as its revenue grows steadily.
Bora Pharmaceutical Laboratories Inc.	448,544	Steady growth in operations	The Company's subsidiary, Bora Pharmaceutical, continues to be profitable as its revenue grows steadily.
Bora Pharmaceuticals USA Inc.	(42,736)	No economies of scale at the initial stage of establishment	The loss situation will be improved with the increase of sales volume in the future.
Bora Pharmaceuticals Services Inc.	374,084	Steady growth in operations	The Company will be able to make a sustainable profit in future with the steady growth of operational revenue.

Up to now, the operation of the related businesses of the Company's reinvestment has been stable. All of the Company's reinvested companies are related to our main business and will continue to focus on our main business in the future to maximize benefits for the Company and all shareholders.

(III) Investment plan for the coming year:

In order to expand its overseas business entities and CDMO business, the Company proposed, on March 9, 2020, to acquire GlaxoSmithKline Inc’s (GSK) plant in Mississauga, Ontario, Canada through its Canadian subsidiary, for a purchase price of CAD36,000,000 (approximately NTD828 million), as approved by the Board of Directors. The proposal was reported to shareholders at the regular meeting on May 28, 2020. There are no plans for other acquisitions as of the date of publishing. In the event of future mergers and acquisitions, the Company will follow the relevant laws and regulations and conduct a prudent evaluation of the benefits and control of risks in order to maximize profits and minimize risks to the Company's overall operations.

VI. Risks for the latest year and up to the date of printing of the annual report

(I) Impacts of interest rates, exchange rate fluctuation and inflation situation on the company’s profit and loss, and the future countermeasures

(1) Interest Rate Changes

The interest expenses of the Company and its subsidiaries amounted to NTD7,733 thousand and NTD16,927 thousand in 2019 and 2020, respectively, which accounted for 2.38% and 2.84% of the net income before income tax respectively, with a decreasing proportion by year mainly due to the continuous growth of operations and profitability of the Company and its subsidiaries. Therefore, the impact of interest rate changes on the Company's profit or loss has gradually decreased.

The Company and its subsidiaries are conservative and prudent in the use of capital. Most of the idle funds are placed in demand deposits and time deposits with banks, which have relatively stable market interest rates. The Company and its subsidiaries regularly evaluate bank borrowing rates and closely liaise with banks to obtain more favorable borrowing rates in order to reduce the impact of changes in interest rates on the Company's profit or loss.

(2) Exchange Rate Changes

The exchange losses of the Company and its subsidiaries amounted to NTD7,694 thousand and NTD10,900 thousand in 2019 and 2020, respectively. The ratio of exchange losses to net income before income tax was 2.35% and 1.83%, respectively, mainly due to foreign currency-denominated exports and some purchases of materials. Therefore, changes in exchange rates should not have a significant impact on the Company.

The Company and its subsidiaries adopt the principle of prudent management of foreign currency capital and collect international financial information related to exchange rates, in order to fully grasp the trend of exchange rates and adjust its foreign exchange holdings in a timely manner, corresponding to the changes in exchange rates in order to reduce the impact caused by exchange rate changes.

(3) Inflationary scenarios

At present, the Company and its subsidiaries do not import large quantities of raw materials or ship large quantities of finished products. Therefore, inflation has no significant impact on the Company's profit or loss due to the inflation.

In the future, the Company and its subsidiaries will continue to closely monitor changes in the price index, maintain good interaction with suppliers and customers, and adjust their purchasing and sales strategies in a timely manner. Therefore, the Company and its subsidiaries should be able to respond to potential inflation and other changes in the economic situation without significant impact on their operations.

(II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, derivatives transactions, profit/loss analysis, and future response measures:

(1) The policy of engaging in high-risk, highly leveraged investments, the main reasons for profits or losses, and future measures to address them

A. The main reason for engaging in high-risk, highly leveraged investments

For the most recent year and as of the date of the annual report, the Company and its subsidiaries have maintained their focus on their businesses and have not engaged in high-risk, highly leveraged investments.

B. Response Measures

The Company and its subsidiaries focus on the operation of their businesses and operate on a conservative and prudent financial basis, with no funds used for high-risk, high-leverage investments.

(2) Loan of funds to other parties and endorsement guarantee

A. Reasons for loaning funds to others and endorsement guarantee

(A) Fund loans to others

In response to the Group's overseas CDMO business expansion, the Company established Bora Pharmaceuticals Services Inc. as an indirect 100% owned Canadian subsidiary. But in the early stage of establishment, it did not have sufficient capital to fulfill its 5-year CDMO contract with GlaxoSmithKline Inc. In accordance with the "Procedures for the Loan of Funds to Others", the Company's Board of Directors resolved in advance on

November 12, 2020, to loan funds totaling CAD 16,500 thousand (approximately NTD 374,715 thousand) to its Canadian subsidiary, Bora Pharmaceuticals Services Inc. The subsidiary became fully operational in December 2020 and will be able to repay the Company in accordance with the loan agreement once there is sufficient working capital. As of April 30, 2021, except for the aforementioned loan of funds to Bora Pharmaceuticals Services Inc. in Canada, the Company has not loaned any funds to others. In order to revitalize internal funds, the Company's 100%-owned subsidiary, Union Chemical & Pharmaceutical Co., Ltd. in accordance with the "Procedures for Lending Funds to Others" established by itself, lent an amount of NTD 20,000 thousand to the Company's 100%-owned subsidiary, Yuta Health Co., Ltd, based on general market interest rates.

(B) Endorsements and guarantees

For operational and group business expansion purposes, the Company provided an endorsement guarantee to obtain a shipment guarantee and bank financing to ensure the operating and working capital of its subsidiaries. The financing amounted to NTD185,000 thousand for Yuta Health, NTD567,000 thousand for Bora Pharmaceutical Laboratories Inc. and CAD231,000 thousand for Bora Pharmaceutical's Canadian subsidiary Bora Pharmaceuticals Services Inc. (approximately NTD5,246,010 thousand). The above transactions were conducted in accordance with the Company's "Procedures for Endorsement and Guarantee" and resolved by the Board of Directors. As of April 30, 2021, the actual amount drawn by Yuta Health was NTD93,394 thousand, NTD238,000 thousand by Bora Pharmaceutical Laboratories Inc., and CAD217,763 thousand (approximately NTD4,945,391 thousand) by Bora Pharmaceuticals Services Inc.

B. Response Measures

The Company and its subsidiaries engage in lending of funds to others and endorsement guarantees based on operational risk considerations. The Company will set single and total limits for overall risk control according to different targets and specify them in the procedures. The Company and its subsidiaries comply with the "Procedures for Lending of Funds to Others" and "Procedures for Endorsement and Guarantee".

(3) The Company's policy on derivative transactions, the main reasons for profit or loss, and future measures

A. The main reasons for the policy, profit or loss of engaging in derivatives trading

For the most recent year and as of the date of the annual report, Bora

Pharmaceuticals, a subsidiary of the Company, has engaged in derivative commodity hedging transactions for export sales, which are necessary for operational purposes. The resulting gain or loss is attributable to the above hedging operations.

B. Response Measures

Based on operational risk considerations, the Company and its subsidiaries have established "Procedures for Handling Derivative Transactions" and strictly follow its regulations to manage the risks that may arise from such transactions. The Company will immediately coordinate its various departments to formulate relevant countermeasures if there is a possibility of significant impact on the Company's operations.

(III) Future R&D Programs and Expected R&D expenditure

(1) Future R&D Programs

In order to increase capacity utilization and enrich the existing product line, the Company and its subsidiaries will invest in future research and development plans to enhance process technology capabilities, including the expansion of production dosage forms and process scale-up technology, as well as the research and development of its own pharmaceutical products, including special generic drugs and new and improved small molecule dosage forms to increase the ease of use of pharmaceutical products through improved dosage forms. In addition, the Company chooses products that satisfy market needs and meet high quality requirements in order to enhance our products' competitiveness.

Main project development's production technologies and new products are as follows:

(A) New dosage forms

(B) Special generic drug products development

(C) Innovative drug delivery platforms development

Promotion of important research projects:

The Company and its subsidiaries have set up its own research and development centers, while continuing to bring in advanced equipment and strengthen the research and development team. Short-term projects focus on "specialty generic drugs", and we will concurrently develop own-brand drugs and accept external contracts, accumulating research and development capabilities and building a comprehensive development chain from self-assessment to mass production. Mid-term projects focus on "new dosage forms" which have high development threshold and duration but high market value. Long-term projects focus on developing time-consuming, high-risk, technology and hardware specific technology platforms that satisfy "unmet medical needs" and cater to the “innovative drug delivery platform” with long-term economic benefits and market differentiation.

(2) Estimated Research Costs

The estimated research and development expenses of the Company and its subsidiaries for 2021 are approximately NTD50,795 thousand which will be used mainly for materials and equipment required for drug research and development. For future product development, the Company and its subsidiaries will select special generic drugs and new dosage forms with market demand; In addition, in order to effectively develop each product, the Company and its subsidiaries intend to file patent applications for technological novelties or key core technologies that arise during development to avoid the risk of imitation or duplication of the developed products.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company and its subsidiaries operate in compliance with relevant domestic and foreign laws and regulations and keep track of domestic and foreign policy developments and regulatory changes. We closely monitor and update the latest information on tax incentives and subsidies related to biotechnology industry. For the most recent year and as of the date of the annual report, the Company and its subsidiaries had no significant domestic or foreign policy or legal changes that would have affected the Company's financial operations.

(V) Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

The Company and its subsidiaries keep abreast of changes in technology and technological development in the biotechnology industry. The market outlook for the pharmaceutical industry is growing steadily due to the aging population and the expansion of medical care for citizens by the governments of various countries. The Company and its subsidiaries keep abreast of industry trends and sales dynamics so as to make proper planning and response measures, and continuously invest in technology R&D and technology enhancement to consolidate their competitive advantages. In addition, the Company complies with laws and regulations on information risk, and has set up a dedicated department to control and mitigate possible risks. For the most recent year and as of the printing date of the annual report, there were no technological changes or industrial changes that had a significant impact on the financial operations of the Company and its subsidiaries.

(VI) Impact of Changes in Corporate Image on the Corporate Risk Management, and the Company's Response Measures

Since its establishment, the Company and its subsidiaries have been committed to maintaining the image of the Company and have not engaged in any conduct that would lead to a poor corporate image or create a corporate crisis. In addition, as the Company continues to grow, we will continue to pursue the best interests of our shareholders, while at the same time providing care to all employees, their families and disadvantaged groups in society, fulfilling our corporate social responsibility. For the most recent year and up to the printing date of the annual report, there has not been any impact on the Company's crisis management due to the change in corporate image.

(VII) Expected Benefits and Possible Risks in Mergers and Acquisitions (M&A) and Countermeasures

In order to expand its overseas business entities and CDMO business, the Company proposed, on March 9, 2020, to acquire GlaxoSmithKline Inc’s (GSK) plant in Mississauga, Ontario, Canada through its Canadian subsidiary, Bora Pharmaceuticals Services Inc, for a purchase price of CAD36,000,000 (approximately NTD828 million), as approved by the Board of Directors. The proposal will be submitted to the shareholders' meeting on May 28, 2020. The project is expected to enhance the Company's revenue and profitability. The Company will comply with the relevant regulations and take a prudent attitude in evaluating various benefits and controlling risks in order to achieve the result of maximizing profitability and minimizing risks to the Company's overall operation.

(VIII) Expected Benefits and Potential Risks of Capacity Expansion and Response Measures

In consideration of the Group's long-term development plan and to enhance its competitive advantages, the Company is actively planning to expand the production lines of different dosage forms of pharmaceutical products. At present, the existing product lines of the Tainan Guantian Plant include tablets, capsules, granules, liquids, semi-solid dosage forms, etc., and has obtained PIC/S GMP certification from the Food and Drug Administration of the Ministry of Health and Welfare. In addition, the Company acquired 100% of equity, plant and equipment of Bora Pharmaceuticals (hereinafter known as Bora), owned by Impax Laboratories Inc., a U.S. listed company, for USD18.5 million in 2018 and obtained an CDMO contract with Impax for the brand-name drug RYTARY, used for the treatment of Parkinson's disease. The plant is located in the Zhunan Science Park and occupies an area of 36,133 square meters. The plant is equipped with pilot processes, standard production areas, laboratories, offices, cafeterias, mechanical rooms and warehouses. The Company’s main focus is on the production of oral solid dosage forms. At present, all of our pharmaceutical products are supplied to the US pharmaceutical market, and we are the only pharmaceutical production plant in Taiwan that supplies the US market. In addition to the production of generic drugs, the Company also produces brand name drugs, which are orally administered special controlled release drugs. Pilot production and scale-up production technology development are all performed in the Company's plant, which is the production center of global supply at present. In addition, on December 01, 2020, the Company acquired the pharmaceutical manufacturing facility from

GlaxoSmithKline in Mississauga, Canada. The new Bora facility, located in Ontario, Canada, has 183,000 square feet of space and is approved by USFDA, Health Canada, EMA of the EU, Japan's PMDA and satisfies the PIC/S world class standards. The facility specializes in the manufacture of tablets, capsules, semi-solids and liquids, and is equipped with chemical analysis and microbiology laboratories. In addition, this facility has a complete packaging line for tablets, capsules, liquids, nasal sprays, aluminum foil bags, blisters, high-speed tube filling, and has the ability to serialize products in bottles and tubes. The products are exported to many countries, including North America, South America, Asia, Russia, Middle East, Europe and Africa. Mississauga produces and packages a wide range of semi-finished and finished pharmaceutical and healthcare products in a variety of dosage forms, with the ability to manufacture a variety of complex products, including expertise in handling highly active pharmaceutical ingredients (HPAPI) and technology transfer, on a scale that allows for clinical and volume production needs. The facility is currently equipped with 18 types of production equipment modules (including three pilot facilities) and can provide various production scales according to customer requirements.

The Company and its subsidiaries will continue to purchase additional equipment and expand plants in the future depending on the status of orders received. However, as of the printing date of the annual report, the Company and its subsidiaries have yet to conduct a detailed assessment and planning for the expansion of plants and have no specific plans to do so. As such, this assessment is not applicable.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

(1) Sales

The main clients of the Company and its subsidiaries in the most recent year was Amneal (Impax Laboratories, Inc.), whose sales amount accounted for 63.06% of the revenue. The Company acquired Amneal's (Impax Laboratories, Inc.) Miaoli Zhunan plant in 2018 and obtained its CDMO orders, resulting in the concentration of CDMO orders in Impax Laboratories, Inc. for the Company's sales from 2018.

(2) Purchases

The largest supplier of the Company and its subsidiaries in the recent year, GlaxoSmithKline Inc. (GSK), accounted for 63.41% of the net purchase, mainly due to the acquisition of the pharmaceutical manufacturing facility from GlaxoSmithKline in Mississauga, Canada as well as increasing CDMO services, and purchase of one-time GlaxoSmithKline Inc'(GSK) productive inventory to operate the facility in accordance with the supply agreement.

(3) Response Measures

Despite the above mentioned concentration of sales, the Company continues to expand its existing product lines into the health care market, such as distributing health care and maintenance products in Taiwan for SSP, the third largest pharmaceutical company in Japan's cosmetic market, and for Eisai, the fourth largest pharmaceutical company in Japan, as well as obtaining exclusive marketing for BOIRON, a French pharmaceutical company, in Taiwan, and obtaining a new five-year long-term CDMO contract for Eisai in Taiwan. At the same time, the Company continues to increase our distribution of neurological drugs from other international pharmaceutical companies and develop the existing drug certificates of our subsidiary, Union Chemical & Pharmaceuticals. In addition, the Company has secured long-term CDMO contracts with Impax Laboratories, Inc. and GlaxoSmithKline Inc. (GSK). Therefore, the risk of concentration of sales is limited.

(X) Impacts and Risks Arising from Major Exchange or Transfer of Shares by Directors, Supervisors, or Shareholders with Over 10 Percent of Stake in the Company and Countermeasures

In the most recent year and as of the date of printing of the annual report, the corporate director of the Company, Eminent II VC Corp, was relieved of its position on 2019/03/11 due to the transfer of more than one-half of the amount of the Company's shares held, during its term of office. The director is a venture capital company and has its own internal plan for the use of funds. The Company's current management team and operational activities have not been affected by this, and a replacement director was elected at the shareholders' meeting on June 10, 2019, so there is no significant impact on the Company's financial and business conditions.

(XI) Impact, Risk, and Response Measures Related to Any Change in the Administrative Authority Towards the Company's Operations

For the most recent year and as of the date of the annual report, there was no change in the Company's operating team that would have resulted in a material impact on the Company.

(XII) In terms of litigation or non-litigation matters, the company and the company's directors, supervisors, president, actual responsible person, shareholders holding more than 10% of the company shares, and a subsidiary company who is involved in a major lawsuit that has either been decided or is still pending whereby the results of the case may have a significant impact to shareholder interests or market prices of securities, must be specified. The status of the disputed facts, bid amount, litigation commencement date, and the primary parties involved in such litigations up to the publication date of this annual report shall be disclosed.

(1) The Company shall disclose, for the last two years and as of the printing date of the annual report, the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the principal parties involved in the litigation and the current status of the litigation, if the outcome of the litigation, non-litigation or administrative dispute has been determined or

is still pending.

A. In July 2014, the Company filed a civil lawsuit for criminal prosecution, sequestration and damages against Mr. Qiu and 11 related persons (non employees) for allegedly using forged documents to work for the Company, using his position to make false statements, forging overpayments, and causing a total loss of NTD3,635 thousand to the Company. As of the date of publication of the public statement, the criminal complaint and the civil lawsuit for damages against the employee surnamed Qiu have been confirmed by the judgment and the Company should be paid NTD3,990 thousand. The criminal complaint and the civil lawsuit for damages against Chen, one of the 11 related parties, have been dismissed by the Taiwan Shilin District Prosecutors Office and the Taiwan Supreme Court on August 31, 2017 and May 24, 2017, respectively. The remaining 10 related parties' criminal complaints were dismissed by the Shilin District Court. The Company filed infringement damages lawsuits against the 10 parties including Guo, Huang and Lin before the deadline in November 2016. The 10 aforementioned individuals have reached settlements with the Company and paid the damages in accordance with their agreements made in 2017. In the case of sequestration, they were revoked and the enforcement was withdrawn, except for the employee surnamed Qiu, who was confirmed guilty by judgment, and for the related party Chen, whose case was closed due to the conclusion of litigation. Since the Company is the plaintiff and the above-mentioned loss of NTD3,635 thousand has been recognized as a loss, there should be no material adverse effect on the Company's financial operations.

B. In July 2014, the Company filed a civil lawsuit for criminal prosecution, sequestration and damages against a related party surnamed Chen for allegedly using a forged document to work for the Company and using his position to make false statements and for overpaying salaries. As the civil litigation case for the criminal complaint and damages were dismissed by the Shilin District Court in Taiwan on August 31, 2017, and by the Civil Division of the Supreme Court, on May 24, 2017, the Company has filed claims for the recovery of the court guarantee of NTD 330 thousand paid. As of the date of publication of the public statement, the Company's financial operations were not materially adversely affected because the related party surnamed Chen has not yet started to exercise his rights and the amount of litigation and the security deposit involved is insignificant.

C. On June 29, 2018, GILEAD SCIENCES, INC. (hereinafter referred to as GILEAD) filed a patent infringement lawsuit in the Intellectual Property Court against the Company and Biofrontier Inc. (hereinafter referred to as Biofrontier), who authorized the Company to manufacture the "Teno B Tablets 300mg". Gilead claimed that this CDMO product infringes upon its ROC patent No. I224103, "Nucleotide Analogues and Pharmaceutical Compositions containing such analogues". The parties reached a settlement agreement in the Intellectual Property Court on October 28, 2019 in relation to the above litigation. The legal proceedings and compensation issues arising from the CDMO contract between the Company and Biofrontier shall be the responsibility of Biofrontier. Therefore, there shall be no material adverse impact on the Company's financial operations.

(2) Directors, supervisors, general managers, responsible personnel, substantial shareholders and affiliates of the Company holding more than 10% of the shares, as well as litigation, non-litigation or administrative disputes that have been determined or are currently pending within

the last two years and as of the printing date of the annual report, with outcomes that may have a material impact on the Company's shareholders' equity or share prices: None.

(3) Directors, supervisors, managers and substantial shareholders holding more than 10 percent of the shares of the Company, events under Article 157 of the Securities and Exchange Act that have occurred in the last two years and as of the date of printing of the annual report, and the handling progress by the Company: None.

(XIII) Other Significant Risks and Response Measures: None.

VII. Other Critical Matters:

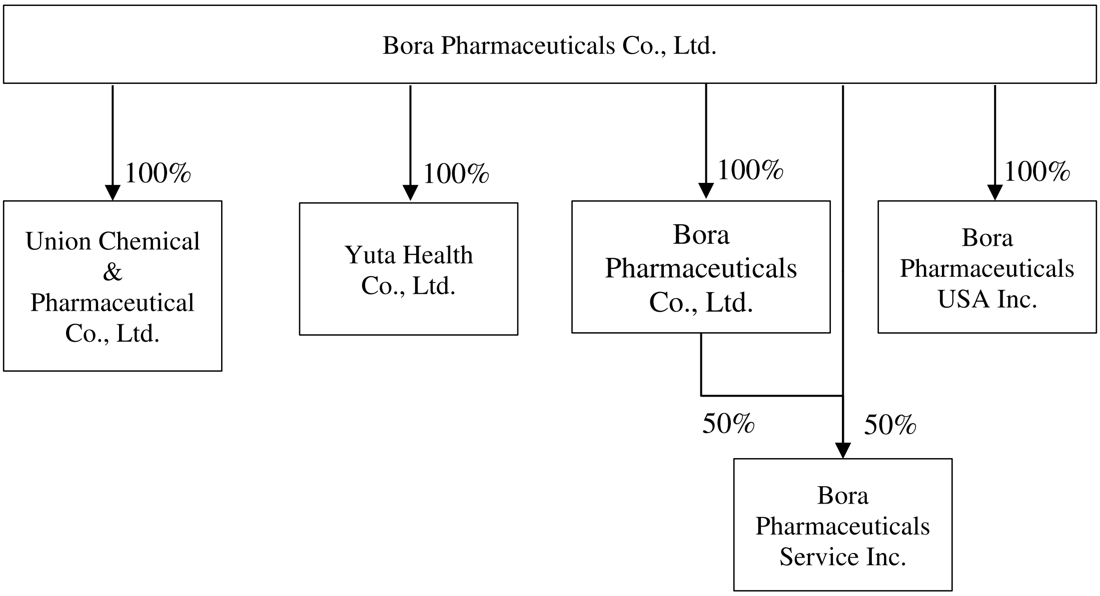
None.

H. Special Notes

I. Profiles of Affiliates:

(I) Status of Affiliates

1. Organization Chart of Affiliates



2. Reasons for presumption of control and affiliation pursuant to Article 369-3 of the Company Act and related information: N/A.

(II) Relationship with affiliate company

1. Investee business

December 31, 2020; Unit: NTD thousands; thousand shares

Investee company	Main business item	Cost of investment	Book value	Investment shares		Net equity	Market price	Accounting Method	Return on investment		Amount of the Company's shares held
				Number of Shares	Shareholding Ratio				Investment Gains/Losses	Dividend distribution	
Union Chemical & Pharmaceutical Co., Ltd.	Western pharmaceutical manufacturing Western pharmaceutical wholesale	185,875	68,944	3,000	100%	71,741	—	Equity method	7,107	2,871	—
Yuta Health	Western pharmaceutical wholesale Health Care Products	83,099	89,481	8,000	100%	89,481	—	Equity method	7,906	—	—

	Wholesale										
Bora Pharmaceutical Laboratories Inc.	Western Pharmaceutical Manufacturing and CDMO	756,810	725,540	125,000	100%	725,540	—	Equity method	448,544	—	—
Bora Pharmaceuticals USA Inc	Western pharmaceutical wholesale	59,969	9,102	500	100%	9,102	—	Equity method	(42,736)	—	—
Bora Pharmaceuticals Services Inc.	Western Pharmaceutical Manufacturing and CDMO	432,379	827,306	200,000	100%	827,305	—	Equity method	374,084	—	—

(III) Consolidated Financial Statement of Affiliates

The companies that should be included in the preparation of the consolidated financial statements of affiliated companies in 2020 are the same as those that should be included in the preparation of the consolidated financial statements of parent companies and subsidiaries in accordance with Accounting Standards No. 7. The information required to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the consolidated financial statements of parent companies and subsidiaries.

(IV) Consolidated Business Reports from Affiliated Companies: N/A.

II. Private placement of marketable securities for the most recent year and as of the date of the annual report:

For the most recent year and as of the date of the annual report, the Company has not entered into any private placement of marketable securities.

III. Shares of the Company held or disposed of by subsidiaries in the most recent year up to the publication date of this annual report:

None.

IV. Other necessary supplemental information:

None.

I. Matters that have a significant effect on shareholders' equity or the price of securities under Paragraph 2 of Article 36 of the Securities and Exchange Act, for the most recent year and as of the date of printing of the annual report None.

Bora Pharmaceuticals Co., Ltd.

Person in charge: Sheng Pao-Shi