

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Financial Statements and Independent
Auditor's Report
2021 and 2020
(Stock Code: 1762)

Address: No.1, Dongxing St., Shulin Dist., New Taipei City

Tel: (02)8684-3318

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

The 2021 and 2020 Individual Financial Report and Independent Auditor's Report

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Auditor's Report

(2022) Cai-Shen-Bao-Zi No. 21003452

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.,

Audit opinion

We have audited the accompanying proprietary individual balance sheet of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2021 and 2020 and the related individual statements of income, of changes in shareholders' equity and of cash flows and Notes to individual financial statement (including significant accounting policies) for the years then ended.

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis of an audit opinion

We conducted our audit in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Chunghwa Chemical Synthesis & Biotech Co., Ltd. in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

Key Audit Matters

The "key audit matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2021 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd.. The key audit matters have been responded to in the process of auditing the individual financial statements as a whole with an audit opinion formed; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit items of the 2021 individual financial report of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are presented below:

Accounting assessment of inventory valuation

Description of the matter

See Note 4 (11) in the individual financial report for details about the accounting policy on inventory valuation, Note 5 (2) for accounting assessment of inventory valuation and hypothetic uncertainty, and Note 6 (4) for an inventory account description.

Chunghwa Chemical Synthesis & Biotech Ltd. is engaged mainly in the production and sales of active pharmaceutical ingredients. As drug tests grow stricter and drug certificates take longer time to obtain, the risk of inventory loss or obsolescence is higher. Since the inventories involve large amounts of money and large numbers of items that require laborious work by human beings to identify expired or damaged goods, we regard the assessment of allowance to reduce inventory to market as a key audit item.

The responsive auditing process

The corresponding auditing procedures are as follows:

1. Assess the policy for allowing the Company to reduce inventory to market in accordance with our understanding of the Company's operations and the nature of the industry.
2. Conduct sampling tests to see if the basis for market prices of net realized value is consistent with the Company's policy. Randomly check the correctness of the selling prices of individual inventory parts and the way net realized value is calculated.
3. Obtain out-of-date inventory details that are identified by the management, check the related information and verify the account records.

Checking whether the time point of sales income recognition is appropriate

Description of the matter

For the accounting policy on the recognition of income, please refer to Note 4 (25) of the individual financial statement. For information on income accounts, please refer to Note 6 (15) of the individual financial statement. As stated in the accounting policies, the sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and Chunghwa Chemical Synthesis and Biotech has no outstanding performance obligations which may affect customers' acceptance of products. As exports are the main source of income for Chunghwa Chemical Synthesis & Biotech Co., Ltd., the terms of business agreed upon between the Company and its customers are the basis of income assessment. However, such a process often involves a lot of manpower for verification and may lead to inappropriate income recognition time points. Therefore, we regard the sales income recognition time points as a key audit item.

The responsive auditing process

The corresponding auditing procedures are as follows:

1. The Company's internal control on income recognition time points were examined and assessed, while the Company's internal control on sales deadlines was tested to verify the correctness of the income recognition time points.
2. The execution of sales and income over a certain period before and after the time periods covered in the financial report were examined with the packing lists, customer orders and declaration forms in order to confirm that income was recognized at appropriate periods.

The responsibility of the management and management units to the individual financial statements

The management team is responsible for preparing individual financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" to present the Company's financial status in an objective way and for necessary internal controls, ensuring that the statements do not contain any false content due to fraudulence or mistakes.

While preparing the individual financial statements, the management's responsibility also includes assessing the continuing operation of Chunghwa Chemical Synthesis & Biotech Co., Ltd., the disclosure of the relevant matters, and the adoption of the accounting base for continuing operations, unless the management intends to liquidate Chunghwa Chemical Synthesis & Biotech Co., Ltd. or cease business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are responsible for supervising the financial reporting process.

The responsibilities of the independent auditor to the individual financial statements

The purpose of the independent auditor's auditing of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the individual financial statements, it is considered significant.

The independent auditor when conducting the audit in accordance with generally accepted auditing standards of the R.O.C. exercises professional judgment and maintains professional skepticism. The independent auditor also performs the following tasks:

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the individual financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Chunghwa Chemical Synthesis & Biotech Co., Ltd..
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the accounting base for continuing operation base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are with significant uncertainties. If the independent auditor believes that such events or circumstances have significant uncertainties, it is necessary to remind the users of the individual financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. to continue operating.
5. Assess the overall expression, structure, and content of the individual financial statements (including the relevant notes) and whether or not the relevant transactions and events in the individual financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the business entity; also, it is responsible for forming an opinion on the audit of the individual financial statements.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with

the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2021 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd.. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PwC Taiwan

March 29, 2022

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

Assets		Additional notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6 (1)	\$ 175,073	4	\$ 138,151	5
1140	Contract assets - Current	6 (15)	-	-	21	-
1150	Notes receivable-net	6(3)	480	-	344	-
1170	Net accounts receivable	6(3)	92,213	2	63,413	2
1180	Account receivables-Related Parties-	7				
	net		289,204	7	286,695	9
1200	Other receivable	6 (5) and 7	19,806	1	12,712	-
130X	Inventory	6 (4)	753,850	17	481,244	15
1410	Prepayments		11,626	-	4,132	-
11XX	Total of Current Assets		1,342,252	31	986,712	31
Non-Current assets						
1510	Financial assets that are measured at	6 (2)				
	fair value through profit or					
	loss-non-current		26,726	1	32,456	1
1550	Investments accounted for by the	6 (5)				
	equity method		1,042,149	24	524,205	17
1600	property , plant, and equipment	6 (6)	1,866,067	43	1,539,133	49
1755	Right-of-use assets		1,951	-	1,620	-
1760	Real property for investment- net	6 (7)	10,700	-	10,700	-
1780	Intangible assets		1,803	-	1,293	-
1840	Deferred income tax assets	6 (21)	24,480	-	16,758	1
1990	Other current non-assets- other	6 (11) and 8	58,564	1	30,450	1
15XX	Total of Non-Current Assets		3,032,440	69	2,156,615	69
1XXX	Total assets		\$ 4,374,692	100	\$ 3,143,327	100

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

Liabilities and equity			December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current liabilities						
2100	Shot-term borrowings	6 (8)	\$ 150,000	3	\$ -	-
2130	Contract liabilities - Current	6 (15)	71,950	1	3,062	-
2150	Payable notes		1,215	-	1,215	-
2170	Accounts payable		77,550	2	96,495	3
2219	Other payable- other	6 (9)	295,143	7	186,235	6
2230	Current Income Tax Liability		29,981	1	106,487	4
2280	Lease liabilities – Current		943	-	1,203	-
2399	Other current liabilities- other		2,509	-	2,298	-
21XX	Total of current liabilities		629,291	14	396,995	13
Non-current liabilities						
2540	Long-term borrowings	6 (10)	600,000	14	-	-
2570	Deferred income tax liabilities	6 (21)	250,299	6	247,499	8
2580	Lease liabilities – Non-current		1,018	-	431	-
25XX	Total of non-current liabilities		851,317	20	247,930	8
2XXX	Total liabilities		1,480,608	34	644,925	21
Equity						
	Share capital	6 (12)				
3110	Ordinary shares capital		775,600	18	775,600	25
	Capital reserve	6 (13)				
3200	Capital reserve		334,323	8	334,323	10
	Retained earnings	6 (14)				
3310	Legal earnings reserve		226,015	5	171,229	5
3320	Special earnings reserve		183,296	4	183,296	6
3350	Unappropriated earnings (or accumulated deficit)		1,335,088	30	1,030,235	33
	Other equity					
3400	Other equity		39,762	1	3,719	-
3XXX	Total equity		2,894,084	66	2,498,402	79
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Major post-balance sheet events	11				
3X2X	Total liabilities and equity		\$ 4,374,692	100	\$ 3,143,327	100

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual comprehensive income statements
January 1 to December 31, 2021 and 2020

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenues	6 (15) and 7	\$ 1,896,625	100	\$ 1,515,144	100
5000	Operating cost	6(4)(20) and 7	(980,544)	(52)	(853,196)	(56)
5900	Operating gross profit		916,081	48	661,948	44
	Operating expenses	6 (20) and 7				
6100	Marketing expenses		(132,821)	(7)	(99,533)	(7)
6200	Administrative expenses		(95,227)	(5)	(92,408)	(6)
6300	Research and development expenses		(252,864)	(13)	(215,729)	(14)
6450	Expected loss on credit impairment		(18,345)	(1)	-	-
6000	Total operating expenses		(499,257)	(26)	(407,670)	(27)
6900	Operating profit		416,824	22	254,278	17
	Non-operating revenues and expenses					
7100	Interest income	6 (16)	181	-	402	-
7010	Other revenue	6(17) and 7	20,448	1	9,840	1
7020	Other profits and losses	6 (18)	(6,322)	-	339,881	22
7050	Financial costs	6 (19)	(3,311)	-	(4,730)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6 (5)	63,408	3	46,596	3
7000	Total non-operating revenues and expenses		74,404	4	391,989	26
7900	Earnings before tax		491,228	26	646,267	43
7950	Income tax expense	6 (21)	(90,450)	(5)	(114,394)	(8)
8200	Current period net profit		<u>\$ 400,778</u>	<u>21</u>	<u>\$ 531,873</u>	<u>35</u>
	Other comprehensive income (net)					
	Items not re-classified under profit or loss					
8311	Defined benefit plan revaluation amount and volume	6 (11)	\$ 1,750	-	(\$ 244)	-
8330	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss		111,209	6	13,848	1
8349	Income tax related to accounts not being reclassified	6 (21)	(350)	-	49	-
8310	Total amount of items not reclassified to profit or income		112,609	6	13,653	1
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences arising from translating the financial statements of foreign operations		(497)	-	(1,007)	-
8380	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss		(868)	-	1,031	-
8360	Total amount of items probably reclassified to profit or loss subsequently		(1,365)	-	24	-
8300	Other comprehensive income (net)		<u>\$ 111,244</u>	<u>6</u>	<u>\$ 13,677</u>	<u>1</u>
8500	Total comprehensive income for the period		<u>\$ 512,022</u>	<u>27</u>	<u>\$ 545,550</u>	<u>36</u>
	Earnings per share	6 (22)				
9750	Base earnings per share		\$ 5.17		\$ 6.86	
9850	Diluted earnings per share		\$ 5.12		\$ 6.79	

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual statement of changes in equity
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	Additional notes	Capital reserve			Retained earnings			Other equity		Total equity
		Ordinary shares capital	Issuance premium	Others	Legal earnings reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from translating the financial statements of foreign operations	Unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income	
<u>2020</u>										
Balance as of January 1, 2020		\$ 775,600	\$ 333,746	\$ 577	\$ 159,344	\$ 183,296	\$ 556,306	(\$ 2,691)	\$ 8,722	\$ 2,014,900
Current period net profit		-	-	-	-	-	531,873	-	-	531,873
Current other comprehensive income		-	-	-	-	-	(385)	24	14,038	13,677
Total comprehensive income for the period		-	-	-	-	-	531,488	24	14,038	545,550
The 2019 appropriation and distribution of earnings:	6 (14)									
Legal earnings reserve		-	-	-	11,885	-	(11,885)	-	-	-
Cash dividend		-	-	-	-	-	(62,048)	-	-	(62,048)
The reinvested company(ies) disposed of equity instruments measured at the fair value through other comprehensive profits and losses		-	-	-	-	-	16,374	-	(16,374)	-
Balance at December 31, 2020		\$ 775,600	\$ 333,746	\$ 577	\$ 171,229	\$ 183,296	\$ 1,030,235	(\$ 2,667)	\$ 6,386	\$ 2,498,402
<u>2021</u>										
Balance at January 1, 2021		\$ 775,600	\$ 333,746	\$ 577	\$ 171,229	\$ 183,296	\$ 1,030,235	(\$ 2,667)	\$ 6,386	\$ 2,498,402
Current period net profit		-	-	-	-	-	400,778	-	-	400,778
Current other comprehensive income		-	-	-	-	-	4,412	(1,365)	108,197	111,244
Total comprehensive income for the period		-	-	-	-	-	405,190	(1,365)	108,197	512,022
The 2020 appropriation and distribution of earnings:	6 (14)									
Legal earnings reserve		-	-	-	54,786	-	(54,786)	-	-	-
Cash dividend		-	-	-	-	-	(116,340)	-	-	(116,340)
The reinvested company(ies) disposed of equity instruments measured at the fair value through other comprehensive profits and losses		-	-	-	-	-	70,789	-	(70,789)	-
Balance at December 31, 2021		\$ 775,600	\$ 333,746	\$ 577	\$ 226,015	\$ 183,296	\$ 1,335,088	(\$ 4,032)	\$ 43,794	\$ 2,894,084

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Cash Flow Statement
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash flow from operating activities</u>			
Pre-tax profit for the current period		\$ 491,228	\$ 646,267
Adjustments			
Income, expense, and loss			
Depreciation	6 (20)	129,286	128,359
Amortization	6 (20)	1,579	1,609
Expected loss on credit impairment		18,345	-
Interest expenses	6 (19)	3,311	4,730
Net profit from financial assets and liabilities at fair value through profit and loss	6 (2) (18)		
		(3,270)	(4,296)
Interest income	6 (16)	(181)	(402)
The profit or loss in the subsidiary, affiliated company and joint ventures recognized under the equity method	6 (5)		
		(63,408)	(46,596)
Gain in disposal of property, plant and equipment	6 (18)	-	(346,826)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
De-capitalization refunded monies of financial assets at fair value through profit or loss	6 (2)	9,000	-
Contract assets		21	431
Notes receivable-net		(136)	1
Net accounts receivable		(47,145)	(13,773)
Account receivables-Related Parties- net		(2,509)	(189,033)
Other receivable		(7,100)	(4,887)
Inventory		(272,606)	(80,144)
Right to goods return-Current		-	11,084
Prepayments		(7,494)	(2,575)
Net defined benefit assets		1,057	(1,428)
Net changes in liabilities relating to operating activities			
Contract liabilities - Current		68,888	(53,721)
Payable notes		-	23
Accounts payable		(18,945)	19,269
Other payable		27,424	54,875
Other current liabilities-others		211	(310)
Net cash provided by operating activities		327,556	122,657
Interest received		187	410
Dividends received		55,271	27,110
Interest paid		(3,188)	(4,837)
Income tax paid		(172,228)	(14,815)
Net cash inflow from operating activities		207,598	130,525
<u>Cash flow from investing activities</u>			
Proceeds from the capital returns on investment accounted for using equity method	6 (5)	-	14,590
Acquisition of investment under the equity method	6 (5)	(399,961)	-
Costs of property, plant and equipment acquired	6 (23)	(403,363)	(191,481)
Proceeds from disposal of property, plant and equipment	6 (23)	-	1,059,906
Acquisition of Intangible assets		(2,090)	(1,371)
Decrease (increase) in deposits paid		2,664	(1,895)
Net cash inflow (outflow) from investing activities		(802,750)	879,749
<u>Cash flow from financing activities</u>			
Increase (decrease) in Short-term borrowings	6 (24)	150,000	(70,000)
Decrease in short-term bills payable	6 (24)	-	(219,740)
Proceeds from long-term loan	6 (24)	1,200,000	600,000
Re-payments of long-term borrowings	6 (24)	(600,000)	(1,200,000)
Cash dividend distribution	6 (14)	(116,340)	(62,048)
Lease principal repayment	6 (24)	(1,586)	(1,677)
Net cash inflow (outflow) from financing activities		632,074	(953,465)
Increase in cash and cash equivalents for the current period		36,922	56,809
Opening balance of cash and cash equivalents		138,151	81,342
Closing balance of cash and cash equivalents		\$ 175,073	\$ 138,151

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Notes to financial statements
2021 and 2020

Unit: NTD thousand
(Except where otherwise stated)

1. Organization and operations

Chunghwa Chemical Synthesis and Biotech Co., Ltd. (hereinafter referred to as the Company) was established in Taiwan on May 19, 1964. Originally named as China Chemical Synthesis Industry Co., Ltd., the company was renamed to the current name at the shareholder meeting in 2003. The main areas of business of the Company include research, development, manufacturing and sales of active pharmaceutical ingredients. The Company was officially listed in the Taiwan Stock Exchange on December 20, 2010.

2. Financial reporting date and procedures

The Board of Directors approved the individual financial statements for publication on March 8, 2022.

3. Application of new and revised standards and interpretation

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2021.

<u>New releases / amendments / revisions of the Standards and Interpretations</u>	<u>The effective date announced by the International Accounting Standards Board</u>
Amendment to International Financial Reporting Standards (IFRS) #4 “The temporary exemption is equally applicable to the extension under IFRS #9.”	January 1, 2021
Phase II amendment to “Revision to Interest Indicators” in International Financial Reporting Standards (IFRS) #9; IAS#39, IFRS#7, IFRS#4 and IFRS#16.	January 1, 2021
Amendment to International Financial Reporting Standard 16: “Related Lease Concession due to COVID-19 after June 30, 2021”	April 1, 2021 (Note)

Note: The Financial Supervisory Commission permits it to be applied on January 1, 2021 ahead of schedule.

The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company’s financial position and financial performance.

(2) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company and subsidiaries

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2022.

<u>New releases / amendments / revisions of the Standards and Interpretations</u>	<u>The effective date announced by the International Accounting Standards Board</u>
Amendment to International Financial Reporting Standards (IFRS) #3 “Index to Conceptual Framework.”	January 1, 2022
Amendment to International Financial Reporting Standards (IFRS) #16 “Real property, factories & equipment: Pricing prior to reach of anticipated state of use.”	January 1, 2022
Amendment to International Financial Reporting Standards (IAS) #37 “Onerous contracts—the cost of fulfilling the contracts.”	January 1, 2022
Improvements to IFRS 2018-2020	January 1, 2022
The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company’s financial position and financial performance.	

(3) IFRS issued by IASB but not yet endorsed by the FSC

The newly released, revised and amended IFRS standards and interpretations by the IASB but not yet recognized by the FSC are summarized as follows:

<u>New releases / amendments / revisions of the Standards and Interpretations</u>	<u>The effective date announced by the International Accounting Standards Board</u>
Amendment to IFRS 10 and IAS 28 “The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures”	To be determined by the “International Accounting Standards Board (IASB).”
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to International Financial Reporting Standard 17: "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Current or non-current classification of liabilities (Amendments to IAS 1)	January 1, 2023
Amendment to International Financial Reporting Standards (IAS) #1 “Disclosure of accounting policies.”	January 1, 2023
Amendment to International Financial Reporting Standards (IAS) #8 “Definition of accounting estimate.”	January 1, 2023
Amendment to International Accounting Standard 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company’s financial position and financial performance.	

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these individual financial statements are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated.

(1) Compliance Statement

These standalone financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers”.

(2) Basis of preparation

1. Except for the following items, these individual statements have been prepared under the historical cost convention:
 - (1) Financial assets at fair value through other comprehensive Income
 - (2) The ascertained welfare assets recognized as the net amount of the pension fund assets minus the current value of the ascertained welfare obligations.
2. The financial statements prepared in accordance with the International Financial Reporting Standards, international accounting standards, interpretation and interpretation notice (referred to as “IFRS” hereinafter) that is recognized and approved by the FSC requires the use of some critical accounting estimates; also, the judgment by the management is required while using the Company’s accounting policies. Please refer to Note 5 for the items involving extensive judgment or complexity, or significant assumptions and estimates related to the individual financial statements.

(3) Foreign-currency translations

Items included in the individual financial statements of each of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The individual financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency.

1. Foreign Currency Transactions and Balances

- (1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.
- (2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.
- (3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.
- (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within “Other gains and losses”.

2. Translation of the financial statements of foreign operations

- (1) The operating results and financial position of all the invested entity that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - C. All resulting exchange differences are recognized in other comprehensive income.

- (2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. However, if the Company retains partial interest in the former subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interests in the foreign operation.

(4) Criteria for distinguishing Current or Non-Current on the Balance Sheet

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Held mainly for the purpose of trading.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

The Company classifies assets that do not meet any of the above criteria as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Held mainly for the purpose of trading.
- (3) Expected to be repaid within 12 months of the balance sheet date
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. 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.

The Company classifies liabilities that do not meet any of the above criteria as non-current assets.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit and loss

1. Refer to the financial assets that are not measured at amortized cost or are measured at fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. The Company measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. Once the right to receive dividends is confirmed, the Company recognizes the dividend income in profit or loss if the future economic benefits are expected to flow to the entity and the dividend can be measured reliably.

(7) Accounts receivable and notes

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of Financial Assets

Financial assets measured at amortized cost, the Company, on each balance sheet date, considers all reasonable and supportable information (including forward-looking ones) and measures the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for trade receivables that do not constitute a financing transaction.

(9) The de-recognition of financial assets

A financial asset is derecognized when the Company's rights to receive cash flows from the financial assets have expired.

(10) The lessor's lease transaction/business lease

Income from under an operating lease (net of any incentives given to the lessee) are recognized in profit or loss on a straight-line basis over the lease term.

(11) Inventory

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The costs of finished and work in process goods include raw materials, direct labor, other direct costs and manufacturing-related expenses, excluding borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of completion and selling expenses.

(12) Investments using the equity method - Subsidiaries and affiliates

1. Subsidiaries refer to all entities (including structural entities) with the right to direct financial and operational policies. When the company is exposed to changes in rewards with the involvement of the entity or has rights to the said changes in rewards and that the rights of the entity can exert an influence on the rewards, the company is said to have control over the entity.
2. The unrealized gains and losses resulting from the transactions conducted between the Company and its subsidiaries had been written-off. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.
3. The Company recognized the shares of profit and/or loss of subsidiaries after acquisition as the profit and/or loss of the current term, and recognized the shares of profit and/or loss of other consolidated income after acquisition as other consolidated profit and/or loss of the current term. In the event that the shares of losses in a subsidiary recognized by the Company exceed the Company's equity in that subsidiary, the Company would continually recognize the losses *pro rata* to the shareholder percentages.
4. The term "associates" as set forth herein refers to the entities upon which the Company holds significant effect but holds no controlling power, normally as the shares of more than 20% of the voting power held by the Company either directly or indirectly. Over the

investment in associates, the Company adopts equity method, recognizing them at cost at the moment of acquisition.

5. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
6. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Company will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.
7. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
8. When the Company disposes of its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are accounted for on the same basis as direct disposal of related assets or liabilities, that is, profit or loss previously recognized in other comprehensive income are reclassified to profit or loss when related assets or liabilities are disposed of. When the Company loses significant influence over the associate, the aforesaid profit or loss is reclassified from retained earnings to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
9. According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in standalone financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(13) Property, plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and

adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 years ~ 60 years
Machinery equipment	1 years ~ 43 years
Transport equipment	2 years ~ 34 years
Other equipment	5 years ~ 18 years

(14) The lessee's lease transaction-right-of-use assets/lease liabilities.

1. Lease assets are recognized on the day of the available for use by the Company as right-of-use assets and lease liabilities. If the lease contract is a short-term lease or a lease of an underlying asset with low-value, lease payment is recognized using the straight-line method as an expense during the period of lease based.
2. The lease liability on the first day of lease is recognized at the present value after unpaid lease payments are converted into cash according to the Company's incremental borrowing interest rate. Lease payments include fixed payments deducted by any lease incentives received. According to the follow-up interest method and measurements by the amortized cost method, interest incurring during the period of lease is provisioned. In case of changes in the period of lease or lease payments not attributed to contract modifications, the lease liability will be re-evaluated, and the remeasurement will be used to readjust the right-of-use asset.
3. The right-of-use asset is recognized by cost on the starting day of lease. The costs include:
 - (1) The original measured amount of lease liability;
 - (2) Any original direct costs incurred;

The cost model is adopted for subsequent measurements. Either the end of the durability of right-of-use assets or the end of the period of lease incurring earlier will be provisioned as depreciation fees. When re-evaluating lease liability, the right-of-use asset will readjust any remeasurements of lease liability.

(15) Investment property

Investment properties are initially measured at cost and may be subsequently measured using a cost model.

(16) Intangible assets

Computer software is recognized at cost and is amortized over the estimated useful life of 1 to 3 years according to the straight-line method.

(17) Losses in non-financial asset

The company estimates recoverable amounts on assets with signs of losses on the balance sheet date, and when the recoverable amount is lower than the book value, then loss is recognized. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. Except for goodwill, when the impairment of assets recognized in prior period is non-existent or reduced, the impairment loss should be reversed. However, the increased book value of the asset due to the reversed impairment loss may not exceed the book value net of depreciation or amortization before recognizing impairment loss.

(18) Loans

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) De-recognition of financial liabilities

The Company derecognizes a liability when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Financial assets and liabilities written-off against each other

Recognized financial liabilities and assets are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the discounted amount of the benefits expected to be paid in respect of service rendered by employees and are recognized as expenses in the period when the employees render service.

2. Pension

(1) Defined contribution plan

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plan

- A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.
- B. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- C. The expense associated with prior service cost is recognized immediately as a profit or loss.

3. Remunerations for employees and directors

Remunerations for employees and directors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees' compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the individual financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Dividends

Dividends distributed to shareholders of the Company are recognized in the financial statements when the shareholder meeting resolves to distribute dividends, and the cash dividends are recognized as liabilities.

(25) Recognition of revenue

1. Product sales

- (1) The Company manufactures and sells API-related products. The sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and the Company has no outstanding performance obligations which may affect customers' acceptance of products. The delivery of products is considered occurs when the products are shipped to the designated locations and the risks of obsolescence and loss have been transferred to customers who accept the products under sales contracts, or when there is objective evidence showing that all acceptance criteria have been met.
- (2) Account receivables are recognized when goods are delivered to customers. Since the Company has unconditional rights to the contract price from that point in time, only the passage of time is required before the payment is due.

2. Labor revenue

- (1) The Company provides commissioned bio drug testing and other related services. Labor service income is recognized as income during the period of financial reporting on services provided to customers. Revenues from fixed price contracts are recognized based on the proportion of services provided in all services provided as of the balance sheet date. The percentage of service completion is based on the proportion of actual costs incurred in the total costs. The customer shall pay contract prices according to the payment time agreed. When services provided by the company exceed the customer's accounts payable, they are recognized as contract assets; if the customer's accounts payable exceeds the services provided by the company, they are recognized as contract liability.
- (2) The Company's estimates of revenues, costs, and degree of work completion are subject to amendments as circumstances change. Any increase or decrease in estimated income or cost due to changes in estimates shall be reflected in profit or loss during the period in which the circumstances leading to the amendments are known to management.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

The preparation of these standalone financial statements requires the management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. The resulting accounting estimates might be different from the related actual results, the judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Critical accounting judgments, estimates and key sources of assumption uncertainty are explained as follows:

(1) Critical judgments concerning the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventory

The Company measures the normal sales of inventories by the lower of cost and net realizable value. For inventories that have existed longer than a certain period of time and are obsolete and damaged, net realizable value of each inventory is identified to be recognized as a loss. Therefore, the Company must use its best judgments and estimates to determine the net realizable value of inventory at the balance sheet date. Due to the stricter verification of active pharmaceutical ingredients and the lengthening time required to obtain drug licenses, the disposal of inventory is below expectation, resulting in the loss from inventory depreciation or the higher risk of inventory obsolescence. The Company assesses on the balance sheet date the inventory due to normal wear and tear, obsolescence or without market sales value and reduces the inventory cost to net realizable value. The inventory assessment may experience significant changes due to fluctuations in the net realizable value of future products. As of December 31, 2021, the book balance of the Company's inventories is NT\$753,850.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 511	\$ 416
Checking accounts and demand deposits	174,562	89,319
Cash equivalents- Short-term bills	-	48,416
	<u>\$ 175,073</u>	<u>\$ 138,151</u>

1. The financial institutions that the Company deals with are with good credit quality; also, the Company deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.

2. None of the Company's cash and cash equivalents pledged to others as collateral.

(2) Financial assets at fair value through profit and loss

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
China Development Biomedical Venture Capital (limited company)	\$ 21,000	\$ 30,000
Evaluation adjustment	5,726	2,456
	<u>\$ 26,726</u>	<u>\$ 32,456</u>

1. Financial assets at fair value through profit and loss is detailed as follows:

	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 3,270</u>	<u>\$ 4,296</u>

2. In March 2021, the share value returned upon capital decrease for financial assets measured at fair value through profits or losses invested in by the Company totaled \$9,000.

(3) Note receivable and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 480	\$ 344
Less: Allowance for losses	-	-
	<u>\$ 480</u>	<u>\$ 344</u>
Accounts receivable	\$ 110,806	\$ 63,661
Less: Allowance for losses	(18,593)	(248)
	<u>\$ 92,213</u>	<u>\$ 63,413</u>

1. Aging of accounts receivable and notes receivable is as follows:

(1) Notes receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not overdue	\$ 480	\$ 344

(2) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not overdue	\$ 92,461	\$ 63,556
Overdue within 30 days	-	105
Over 90 days	18,345	-
	<u>\$ 110,806</u>	<u>\$ 63,661</u>

The aforementioned aging analysis is based on the overdue days.

2. The accounts receivables and bills receivable balance in December 31, 2021 and 2020 were generated from the client contract. The accounts receivables balance and allowance loss in the client contract as of January 1, 2020 amount to \$50,233 and \$248 respectively.

3. While not considering the collaterals or other credit enhancements, the notes and accounts receivable held by the Company had the maximum exposure of credit risk at NT\$92,693 and NT\$63,757, respectively, as of December 31, 2021 and 2020.

4. The Company does not hold any collaterals.

5. Please see Note 12 (2) for the credit risk of the accounts receivable and notes receivable.

(4) Inventory

		<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Price loss allowance</u>		<u>Book value</u>
Raw materials	\$ 366,960	(\$ 33,034)	\$	333,926
Work in process	71,866	(471)		71,395
Finished products	396,099	(47,570)		348,529
	<u>\$ 834,925</u>	<u>(\$ 81,075)</u>	<u>\$</u>	<u>753,850</u>

		<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Price loss allowance</u>		<u>Book value</u>
Raw materials	\$ 188,368	(\$ 21,153)	\$	167,215

Work in process	77,104 (	550)	76,554
Finished products	282,773 (	45,298)	237,475
	<u>\$</u>	<u>548,245 (\$</u>	<u>67,001) \$</u>
			<u>481,244</u>

The Company's current inventory cost recognized as expenses:

	<u>2021</u>	<u>2020</u>
Cost of inventory sold	\$ 952,599	\$ 836,316
Loss of price decline of inventory and obsolescence loss	28,964	14,899
Proceeds from sale of scraps.	(3,019)	(3,179)
	<u>\$ 978,544</u>	<u>\$ 848,036</u>

(5) Investments accounted for by the equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Affiliate business:		
China Chemical & Pharmaceutical Co., Ltd.	\$ 1,032,860	\$ 511,434
Subsidiaries:		
PHARMAPORTS, LLC	9,289	12,771
	<u>\$ 1,042,149</u>	<u>\$ 524,205</u>

1. Affiliate business

(1) The basic information of the Company's main affiliates is shown as follows:

<u>Company name</u>	<u>Main places of business operations</u>	<u>Ratio of Shareholding</u>		<u>Type of affiliation</u>	<u>Measurement</u>
		<u>December 31, 2021</u>	<u>December 31, 2020</u>		
China Chemical & Pharmaceutical Co., Ltd.	Taiwan	14.11%	8.49%	Affiliate business	Equity method

(2) Financial information of the Company's major associates is summarized as follows:

Balance Sheet

	<u>China Chemical & Pharmaceutical Co., Ltd.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 3,193,213	\$ 3,475,791
Non-Current assets	7,988,514	7,093,226
Current liabilities	(1,512,912)	(1,874,262)
Non-current liabilities	(1,914,705)	(2,103,576)
Total net assets	<u>\$ 7,754,110</u>	<u>\$ 6,591,179</u>
Book value of affiliates	<u>\$ 1,026,277</u>	<u>\$ 511,434</u>

Comprehensive income statement

	<u>China Chemical & Pharmaceutical Co., Ltd.</u>	
	<u>2021</u>	<u>2020</u>
Income	\$ 3,407,463	\$ 3,857,241
Current net profits from continuing operations	\$ 517,508	\$ 557,232
Other comprehensive income (net after tax)	942,413	366,087
Total comprehensive income for the period	<u>\$ 1,459,921</u>	<u>\$ 923,319</u>
Stock dividends collected from affiliates	<u>\$ 38,977</u>	<u>\$ 20,235</u>

2. Profit and loss of subsidiaries and associates recognized by using equity method:

	<u>2021</u>	<u>2020</u>
China Chemical & Pharmaceutical Co., Ltd.	\$ 50,100	\$ 37,896
PHARMAPORTS, LLC	13,308	9,309
CCSB HOLDING CO., LTD.	-	(609)
	<u>\$ 63,408</u>	<u>\$ 46,596</u>

- In 2021, the Company obtained NT\$399,961 equity from China Chemical & Pharmaceutical Co., Ltd. in the open market.
- The Company's investment in China Chemical & Pharmaceutical has a public offer of which the fair value were NT\$952,504 and NT\$508,987 as of December 31, 2021 and 2020, respectively.
- The Company holds up to 14.11% of the total shares of China Chemical & Pharmaceutical Co., Ltd. as the largest single shareholder. Given the facts that the Company lacks substantial capability to dominate the relevant events as indicated through the participation by other shareholders in that company and the voting powers in major motions, it is judged that the Company does not possess control power but only has influence toward that company.
- CCSB Holding Co., Ltd. reduced its capital and remitted back an amount of NT\$14,590 for the investment fund in 2020 and completed the corporation write-off procedures on December 31, 2020. Accordingly, starting from that day, the equity-based investment was counted as other receivables instead. As of December 31, 2020, the other receivables amounted to NT\$1,500.
- For information on the Company's subsidiaries, please refer to Note 4 (3) of 2021 consolidated financial statements.

(6) Property, plant, and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Transport equipment</u>	<u>Other equipment</u>	<u>Uncompleted construction and equipment pending inspection</u>	<u>Total</u>
January 1, 2021							
Cost	\$ 741,400	\$ 674,256	\$ 1,172,957	\$ 7,448	\$ 579,419	\$ 112,289	\$ 3,287,769
Accumulated depreciation and impairment	-	(445,441)	(888,583)	(5,950)	(408,662)	-	(1,748,636)
	<u>\$ 741,400</u>	<u>\$ 228,815</u>	<u>\$ 284,374</u>	<u>\$ 1,498</u>	<u>\$ 170,757</u>	<u>\$ 112,289</u>	<u>\$ 1,539,133</u>
<u>2021</u>							
January 1	\$ 741,400	\$ 228,815	\$ 284,374	\$ 1,498	\$ 170,757	\$ 112,289	\$ 1,539,133
Additions	-	17,727	14,160	860	17,622	404,269	454,638
Reclassification	-	134,124	241,528	-	14,463	(390,115)	-
Depreciation	-	(25,253)	(66,750)	(457)	(35,244)	-	(127,704)
December 31	<u>\$ 741,400</u>	<u>\$ 355,413</u>	<u>\$ 473,312</u>	<u>\$ 1,901</u>	<u>\$ 167,598</u>	<u>\$ 126,443</u>	<u>\$ 1,866,067</u>
December 31, 2021							
Cost	\$ 741,400	\$ 826,107	\$ 1,414,963	\$ 8,121	\$ 608,414	\$ 126,443	\$ 3,725,448
Accumulated depreciation and impairment	-	(470,694)	(941,651)	(6,220)	(440,816)	-	(1,859,381)
	<u>\$ 741,400</u>	<u>\$ 355,413</u>	<u>\$ 473,312</u>	<u>\$ 1,901</u>	<u>\$ 167,598</u>	<u>\$ 126,443</u>	<u>\$ 1,866,067</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Transport equipment</u>	<u>Other equipment</u>	<u>Uncompleted construction and equipment pending inspection</u>	<u>Total</u>
January 1, 2020							
Cost	\$ 1,454,384	\$ 662,864	\$ 1,128,088	\$ 6,899	\$ 553,177	\$ 17,268	\$ 3,822,680
Accumulated depreciation and impairment	-	(421,831)	(833,042)	(6,624)	(380,892)	-	(1,642,389)
	<u>\$ 1,454,384</u>	<u>\$ 241,033</u>	<u>\$ 295,046</u>	<u>\$ 275</u>	<u>\$ 172,285</u>	<u>\$ 17,268</u>	<u>\$ 2,180,291</u>
2020							
January 1	\$ 1,454,384	\$ 241,033	\$ 295,046	\$ 275	\$ 172,285	\$ 17,268	\$ 2,180,291
Additions	-	5,960	5,222	1,421	30,098	156,186	198,887
Reclassification (Note)	-	5,433	50,481	-	4,970	(61,165)	(281)
Depreciation	-	(23,611)	(66,279)	(198)	(36,596)	-	(126,684)
Disposition	(712,984)	-	(96)	-	-	-	(713,080)
December 31	<u>\$ 741,400</u>	<u>\$ 228,815</u>	<u>\$ 284,374</u>	<u>\$ 1,498</u>	<u>\$ 170,757</u>	<u>\$ 112,289</u>	<u>\$ 1,539,133</u>
December 31, 2020							
Cost	\$ 741,400	\$ 674,256	\$ 1,172,957	\$ 7,448	\$ 579,419	\$ 112,289	\$ 3,287,769
Accumulated depreciation and impairment	-	(445,441)	(888,583)	(5,950)	(408,662)	-	(1,748,636)
	<u>\$ 741,400</u>	<u>\$ 228,815</u>	<u>\$ 284,374</u>	<u>\$ 1,498</u>	<u>\$ 170,757</u>	<u>\$ 112,289</u>	<u>\$ 1,539,133</u>

Note: The term reclassification is an act to transfer out onto “intangible assets.”

The Company signed a land purchase agreement, worth NT\$1,063,953, with Lian Hwa Foods Corporation on May 14, 2020.

It consists of related necessary costs of \$4,247 and income from dispositions of \$346,722; transfer was completed in June 2020.

(7) Investment property

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land cost	<u>\$ 10,700</u>	<u>\$ 10,700</u>

1. Rental income and direct operating expenses of investment properties:

	<u>2021</u>	<u>2020</u>
Rental income of investment properties	<u>\$ 800</u>	<u>\$ 824</u>
Direct operating expenses incurred in investment properties that have rental income in the current period	<u>\$ 48</u>	<u>\$ 48</u>

2. The fair value of investment properties held by the Company for the years ended December 31, 2021 and 2020 was NT\$70,305 and NT\$50,239, respectively, based on the transaction prices of the adjacent lands.

(8) Shot-term borrowings

In the Company, short-term loans were nonexistent as of December 31, 2020. As of December 31, 2021, the short-term loan fact was as follows:

<u>Loans nature</u>	<u>December 31, 2021</u>	<u>Interest rate collars</u>	<u>Collateral</u>
Bank loan			
Credit loan	<u>\$ 150,000</u>	0.80%~0.83%	None

(9) Other payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salary and bonus payables	<u>\$ 74,224</u>	<u>\$ 74,167</u>
Commission payable	<u>11,458</u>	<u>12,184</u>
Remuneration to employees and directors and supervisors payable	<u>52,390</u>	<u>46,996</u>
Equipment payables	<u>94,544</u>	<u>13,183</u>
Repair fees payable	<u>5,643</u>	<u>7,103</u>
Others	<u>56,884</u>	<u>32,602</u>
	<u>\$ 295,143</u>	<u>\$ 186,235</u>

(10) Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank loan		
Credit loan	<u>\$ 600,000</u>	<u>\$ -</u>
Interest rate collars	1.13%~1.35%	-
The one-time repayment of credit loan is due in 2023.		

(11) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the "Labor Standards Act", covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. When an employee meets the requirements of retirement, the payment of pension is based on service years and the average salary of the six months prior to retirement, with services within 15 years accumulating 2 basis points per year, and service years beyond 15 years accumulating 1 basis point per year up to a maximum of 45 basis points. The company provisions 5% of total monthly salary to the pension fund in the name of the Pension Supervisory Committee at the Bank of Taiwan. In addition, the Company has the labor pension reserve account balance referred to in the preceding paragraph estimated at the end of each fiscal year. If the account balance is insufficient to pay pension benefit to the employees who qualify for retirement within next year for the pension benefit calculated in the preceding paragraph, the Company will have the spread amount appropriated in a lump sum before the end of March next year.

- (2) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of the defined benefit obligations	(\$ 117,792)	(\$ 115,828)
The fair value of plan assets	<u>141,770</u>	<u>139,113</u>
Net defined benefit assets (Recognized as Other non-current assets)	<u>\$ 23,978</u>	<u>\$ 23,285</u>

- (3) Changes in net defined benefit assets are as follows:

	<u>Present value of the defined benefit obligations</u>	<u>The fair value of plan assets</u>	<u>Net defined benefit assets</u>
2021			
Balance at January 1	(\$ 115,828)	\$ 139,113	\$ 23,285
Current service cost	(1,326)	-	(1,326)
Interest (expense) income	(342)	416	74
	<u>(117,496)</u>	<u>139,529</u>	<u>22,033</u>
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,046	2,046
The effect of changes in financial assumptions	3,508	-	3,508
Experience adjustments	(3,804)	-	(3,804)
	<u>(296)</u>	<u>2,046</u>	<u>1,750</u>
The appropriation of pension fund	-	195	195
Balance at December 31	<u>(\$ 117,792)</u>	<u>\$ 141,770</u>	<u>\$ 23,978</u>

	<u>Present value of the defined benefit obligations</u>	<u>The fair value of plan assets</u>	<u>Net defined benefit assets</u>
2020			
Balance at January 1	(\$ 109,160)	\$ 131,261	\$ 22,101
Current service cost	(1,073)	-	(1,073)
Interest (expense) income	(728) (110,961)	891 132,152	163 21,191
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,623	4,623
The effect of changes in financial assumptions	(3,674)	-	(3,674)
Experience adjustments	(1,193) (4,867)	- 4,623	(1,193) (244)
The appropriation of pension fund	-	2,338	2,338
Balance at December 31	(\$ 115,828)	\$ 139,113	\$ 23,285

- (4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with International Accounting Standards No. 19, paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

- (5) Assumptions for the actuation of pension funds are summarized as follows:

	<u>2021</u>	<u>2020</u>
Discounted rate	<u>0.70%</u>	<u>0.30%</u>
Future salary increases rate	<u>2.00%</u>	<u>2.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience in the 6th Taiwan Standard Ordinary Experience Mortality Table.

The present value of the defined benefit obligations affected by the changes in the actuarial assumptions is analyzed as follows:

	<u>Discounted rate</u>		<u>Future salary increases rate</u>	
	<u>Increase by</u>	<u>Decrease by</u>	<u>Increase by</u>	<u>Decrease by</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2021				
The impact on the present value of the defined benefit obligations	(\$ 2,132)	\$ 2,197	\$ 2,163	(\$ 2,110)
	<u>Discounted rate</u>		<u>Future salary increases rate</u>	

	<u>Increase by</u> <u>0.25%</u>	<u>Decrease by</u> <u>0.25%</u>	<u>Increase by</u> <u>0.25%</u>	<u>Decrease by</u> <u>0.25%</u>
December 31, 2020				
The impact on the present value of the defined benefit obligations	(\$ 2,319)	\$ 2,395	\$ 2,348	(\$ 2,286)

The sensitivity analysis above analyzes the impact from changing one of the assumptions while others remain constant. In practice, many changes in assumptions may be mutually interactive. The sensitivity analysis is consistent with the method adopted for calculating the net pension liability on the balance sheet.

- (6) The Company applied on December 7, 2020 for suspension from appropriation of labor pension reserve. The Company has been approved for suspension from appropriation starting from fiscal year 2021.
2. (1) The Company has a retirement policy with a defined pension contribution plan regulated in accordance with the "Labor Pension Act" for the employees of Taiwan nationality since July 1, 2005. The Company has established a defined contribution pension plan (the "New Plan") under the "Labor Pension Act" covering all regular employees. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to an employee's individual pension account at the Bureau of Labor Insurance. The payment of pension benefits is based on an employee's individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.
- (2) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were NT\$9,639 and NT\$8,850, respectively.

(12) Share capital

1. As of December 31, 2021, the Company's authorized capital was \$1,600,000, consisting of 160,000 thousand shares of ordinary stock, and the paid-in capital was NT\$775,600 with a par value of \$10 (in dollars) per share. All issued capital of the Company were paid up.
2. The number of the Company's outstanding ordinary shares was 77,560 thousand as of 2021 and 2020.
3. The affiliation of the Company held 19,245 thousand shares and 17,331 thousand shares, respectively of the Company as of December 31, 2021 and 2020.

(13) Capital reserve

According to the Company Act, capital reserves from premium income for issuing shares over face values and gift income, not only can offset losses, it can also issue new shares or cash according to the original shareholding when there is no accumulated losses in the company. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. When the retained earnings of a company is not enough to offset capital losses, the capital reserves cannot be applied.

(14) Retained earnings

1. According to the Company's articles of incorporation, the dividend policy considers the Company's future capital needs and long-term financial planning and meets the shareholders' demand for cash inflows. The current year's earning, if any, shall first be used to offset prior years' operating losses and pay all taxes, and then 10% of the remaining

amount shall be set aside as legal reserve. Special reserve shall also be allocated. If there is still surplus, it can be put together with the accumulated undistributed surplus of the previous year as the surplus available this year for distribution. Part of it can be retained, depending on the Company's business needs for the year, before being distributed to shareholders. Cash dividends shall not be less than 50% of the shareholder dividend given, but when the cash dividend is calculated to be less than \$0.1 per share, it can be given in the form of stock dividend.

2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (2) When adopting IFRSs for the first time, refer to Jin-Guan-Zheng-Fa-Zi Document #1010012865 on special reserve. The Company will conduct a reversal of the originally allocated special reserve when using, disposing of or reclassifying assets.
4. (1) The appropriations of 2020 and 2019 earnings had been resolved at the stockholders' meeting on July 1, 2021 and May 29, 2020, respectively. Details are summarized below:

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Dividends per share (\$)</u>	<u>Amount</u>	<u>Dividends per share (\$)</u>
Legal earnings reserve	\$ 54,786		\$ 11,885	
Cash dividend	<u>116,340</u>	\$ 1.5	<u>62,048</u>	\$ 0.8
	<u>\$ 171,126</u>		<u>\$ 73,933</u>	

- (2) The appropriations of 2021 earnings had been proposed by the Board of Directors on March 8, 2022. Details are summarized below:

	<u>2021</u>	
	<u>Amount</u>	<u>Dividends per share (\$)</u>
Legal earnings reserve	\$ 47,598	
Cash dividend	<u>100,828</u>	\$ 1.3
	<u>\$ 148,426</u>	

The aforementioned distribution of earnings of 2021 has not been passed in the shareholders' meeting.

(15) Operating revenues

	<u>2021</u>	<u>2020</u>
Revenue from Contracts with Customers	<u>\$ 1,896,625</u>	<u>\$ 1,515,144</u>

1. Segmentation of revenue from contracts with customers

The Company's revenues are generated from goods and labor services gradually transferred with time and transferred at a specific time. Revenues can be subdivided into the following geographic areas:

2021	Taiwan	United States	Total
Revenue from contracts with external customers	<u>\$ 681,900</u>	<u>\$ 1,214,725</u>	<u>\$ 1,896,625</u>
Time point of sales income recognition			
Revenues recognized at a specific time	\$ 677,384	\$ 1,214,725	\$ 1,892,109
Revenues gradually recognized with time	4,516	-	4,516
	<u>\$ 681,900</u>	<u>\$ 1,214,725</u>	<u>\$ 1,896,625</u>
2020	Taiwan	United States	Total
Revenue from contracts with external customers	<u>\$ 745,592</u>	<u>\$ 769,552</u>	<u>\$ 1,515,144</u>
Time point of sales income recognition			
Revenues recognized at a specific time	\$ 735,636	\$ 769,552	\$ 1,505,188
Revenues gradually recognized with time	9,956	-	9,956
	<u>\$ 745,592</u>	<u>\$ 769,552</u>	<u>\$ 1,515,144</u>

2. Contract assets and contract liabilities

(1) The contract assets and contract liabilities of customer contract revenue recognized by the Company are shown as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract assets			
Contract assets			
-Labor services	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 452</u>
Contract liabilities:			
Contract liabilities			
-Drug sale contracts	\$ 68,261	\$ 667	\$ 54,520
-Labor services	3,689	2,395	2,263
	<u>\$ 71,950</u>	<u>\$ 3,062</u>	<u>\$ 56,783</u>

(2) The initial contract liabilities arising from sales contracts recognized as revenues in 2021 and 2020 total NT\$972 and NT\$54,293 respectively.

(16) Interest income

	<u>2021</u>	<u>2020</u>
Interest from bank deposits	\$ 175	\$ 332
Other interest incomes	6	70
	<u>\$ 181</u>	<u>\$ 402</u>

(17) Other revenue

	<u>2021</u>	<u>2020</u>
Rent revenue	\$ 12,800	\$ 1,296
Other Revenue- other	7,648	8,544
	<u>\$ 20,448</u>	<u>\$ 9,840</u>

(18) Other profits and losses

	<u>2021</u>	<u>2020</u>
Gain in disposal of property, plant and equipment	\$ -	\$ 346,826
Net foreign exchange loss	(9,592)	(11,241)
Net profit from financial assets and liabilities at fair value through profit and loss	3,270	4,296
	<u>(\$ 6,322)</u>	<u>\$ 339,881</u>

(19) Financial costs

	<u>2021</u>	<u>2020</u>
Interest expenses:		
Bank loan	\$ 3,273	\$ 4,704
Lease liabilities	38	26
	<u>\$ 3,311</u>	<u>\$ 4,730</u>

(20) Employee benefit expense, depreciation and amortization

1. Employee benefit expense, depreciation and amortization:

Characteristics \ Functionality	2021		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	\$ 139,452	\$ 186,838	\$ 326,290
Labor insurance and national health insurance	12,155	13,245	25,400
Pension expenses	4,188	6,703	10,891
Directors' remuneration	-	12,353	12,353
Other employee expenses	9,325	8,862	18,187
Depreciation	97,188	32,098	129,286
Amortization	-	1,579	1,579

Functionality Characteristics	2020		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	\$ 124,930	\$ 174,358	\$ 299,288
Labor insurance and national health insurance	9,748	11,418	21,166
Pension expenses	3,565	6,195	9,760
Directors' remuneration	-	13,072	13,072
Other employee expenses	8,177	13,068	21,245
Depreciation	96,564	31,795	128,359
Amortization	-	1,609	1,609

Note 1: The number of employees in 2021 and 2020 were 335 and 313 people respectively. Among them, the number of directors not concurrently employees totaled six people.

Note 2: The company is TAIEX listed. Therefore, the following information should be added:

- (1) The average expenditure of employee benefits for 2021 and 2020 were NT\$1,157 and NT\$1,145 respectively.
- (2) The average expenditure of employee salary for 2021 and 2020 were NT\$992 and NT\$975 respectively.
- (3) Changes in the average employee salary expense adjustment are 2%.
- (4) Salary remuneration related policies

A. Policy on remuneration toward directors

According to the Articles of Association for the company, if the company has earned annual profits, it shall allocate 1% to 15% as employee remuneration and no more than 3% for director remuneration. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss. The amount appropriated this time is subject to passing by the Remuneration Committee with a resolution before being submitted to the board of directors for discussion, resolution and enforcement.

B. Policy on remuneration toward employees and managerial officers

(A) Upon final accounting settlement by the Company in each fiscal year, the earnings, if any, shall be first used to pay tax, make up loss, if any, and to appropriate dividend and reserve. To employees who have committed no fault at all in the entire year, in accordance with "Regulations Governing Year-End Bonus Review," the Company shall grant a year-end bonus which means a gracious grant for encouragement instead of a consideration for services rendered.

(B) In each and every year, the Company will, as well, evaluate whether the salary calls for an adjustment for employees based on the scalar indicators such as the Company's operating performance, commodity price index, salary level prevalent in the market and whether the salaries paid by the Company to employees are competitive enough in the market.

2. Remunerations for employees and directors:

- (1) According to the articles of incorporation of the Company, a portion of distributable

profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% to 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

- (2) A. For the 2021, employees' compensation was accrued at NT\$45,777 while directors' remuneration was accrued at NT\$6,613. The aforementioned amounts were recognized in salary expenses.
- B. For the 2020, employees' compensation was accrued at NT\$39,296 while directors' remuneration was accrued at NT\$7,481. The aforementioned amounts were recognized in salary expenses.
- C. The employees' compensation and directors' remuneration were estimated and accrued based on 8.42% and 1.22% of profit of current year distributable for the 2021, respectively, with the estimated amount in line with the resolution of the board of directors. The abovementioned employee compensation will be paid in cash.
- D. The employees' compensation and directors' remuneration resolved by the Board of Directors for 2020 were NT\$39,296 and NT\$7,481, respectively, consistent with the amount recognized in the 2020 financial report.
- E. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System".

(21) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2021</u>	<u>2020</u>
Current income tax:		
Current income tax	\$ 92,668	\$ 118,112
Additional levy on undistributed earnings	1,980	112
Underestimate (overestimated) income tax of prior years	1,074	(8,832)
Total Current income tax	95,722	109,392
Deferred income tax:		
Origin and reversal of temporary differences	(5,272)	5,002
Income tax expense	<u>\$ 90,450</u>	<u>\$ 114,394</u>

(2) Income tax amounts relating to other comprehensive profit and loss:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation revaluation amount and volume	(\$ 350)	\$ 49

2. Reconciliation between income tax expense and accounting profit:

	<u>2021</u>		<u>2020</u>
Income tax derived by applying the statutory tax rate to pre-tax net profit	\$ 98,247	\$	129,254
Tax-free income by Income Tax Law	(10,675)	(	9,504)
Impact on income tax from items excluded according to the tax law	12		66
Realizable changes from deferred income tax assets	(1,817)	(	1,546
Additional levy on undistributed earnings	1,980		112
Underestimate (overestimated) income tax of prior years	1,074	(	8,832)
Foreign dividend withholding tax rate difference	1,629		686
The land value increment tax payable for land sold	-		1,066
Income tax expense	<u>\$ 90,450</u>	\$	<u>114,394</u>

3. Deferred income tax assets or liabilities arising from temporary differences:

	<u>2021</u>		<u>Recognized</u>		<u>Recognized</u>		<u>in other</u>		<u>comprehen</u>		<u>December 31</u>
	<u>January 1</u>		<u>or loss</u>		<u>in the profit</u>		<u>ve net loss</u>		<u>December 31</u>		<u>December 31</u>
Timing difference:											
- Deferred income tax assets:											
Falling price of inventory	\$ 13,826	\$	2,388	\$	-	\$	16,214				
Excess losses from bad debts		\$	2,868				2,868				
Unrealized exchange loss	424	(	179)				245				
Impairment loss of fixed assets	1,019	(	776)				243				
Bonus payable for paid leave not taken	1,489		41				1,530				
Unrealized profit from sales of inventories in transit	-		3,380				3,380				
Subtotal	<u>16,758</u>		<u>7,722</u>				<u>-</u>				<u>24,480</u>
- Deferred income tax liabilities:											
Profit and loss recognized by using equity method	(2,678)	(	2,661)				(5,339)				
Determined benefit obligation	(4,657)		211	(	350)	(	4,796)				
Reserve for land revaluation increment tax ("LRIT")	(240,164)		-				(240,164)				
Subtotal	<u>(247,499)</u>		<u>(2,450)</u>				<u>(350)</u>				<u>(250,299)</u>
Total	<u>(\$ 230,741)</u>	\$	<u>5,272</u>	(\$	<u>350)</u>	(\$	<u>225,819)</u>				

	<u>2020</u>			
		<u>Recognized</u>	<u>Recognized</u>	
	<u>January 1</u>	<u>in the profit</u>	<u>in other</u>	<u>December 31</u>
		<u>or loss</u>	<u>comprehen</u>	
			<u>ve net loss</u>	
Timing difference:				
- Deferred income tax assets:				
Falling price of inventory	\$ 14,996	(\$ 1,170)	\$ -	\$ 13,826
Unrealized exchange loss	264	160	-	424
Impairment loss of fixed assets	1,658	(639)	-	1,019
Bonus payable for paid leave not taken	1,270	219	-	1,489
Profit and loss recognized by using equity method	608	(608)	-	-
Subtotal	18,796	(2,038)	-	16,758
- Deferred income tax liabilities:				
Profit and loss recognized by using equity method	-	(2,678)	-	(2,678)
Determined benefit obligation	(4,420)	(286)	49	(4,657)
Reserve for land revaluation increment tax ("LRIT")	(240,164)	-	-	(240,164)
Subtotal	(244,584)	(2,964)	49	(247,499)
Total	(\$ 225,788)	(\$ 5,002)	\$ 49	(\$ 230,741)

4. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2019.

(22) Earnings per share

	<u>2021</u>		Earnings per share
	<u>After-tax</u>	<u>Weighted average</u>	
	<u>amount</u>	<u>outstanding shares</u>	
		<u>(thousand shares).</u>	<u>(NT\$)</u>
<u>Base earnings per share</u>			
Current period net profit	\$ 400,778	77,560	\$ 5.17
<u>Diluted earnings per share</u>			
Current period net profit	\$ 400,778	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	758	
The effect of net profit in the current period to the potential ordinary shares	\$ 400,778	78,318	\$ 5.12

	<u>2020</u>		Earnings per share
	<u>After-tax amount</u>	<u>Weighted average outstanding shares (thousand shares).</u>	<u>(NT\$)</u>
<u>Base earnings per share</u>			
Current period net profit	\$ 531,873	77,560	\$ 6.86
<u>Diluted earnings per share</u>			
Current period net profit	\$ 531,873	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	771	
The effect of net profit in the current period to the potential ordinary shares	\$ 531,873	78,331	\$ 6.79

(23) Supplemental cash flow information

Investing activities partially funded with cash:

	<u>2021</u>	<u>2020</u>
Purchase of property, plant, and equipment	\$ 454,638	\$ 198,887
Add: Opening balance of payable on equipment	13,183	5,777
Prepaid construction equipment amount at the end of the period	30,086	-
Less: Ending balance of payable on equipment	(94,544)	(13,183)
Cash Paid for the Period	\$ 403,363	\$ 191,481

Investment activities with partial cash collection:

	<u>2021</u>	<u>2020</u>
Disposal of property, plant, and equipment	\$ -	\$ 1,064,153
Less: Relevant expenses	-	(4,247)
Cash received during the year	\$ -	\$ 1,059,906

(24) Changes in liabilities arising from financing activities

	<u>2021</u>				<u>Total liabilities arising from financing activities</u>
	<u>Shot-term borrowings</u>	<u>Short-term bills payable</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	
January 1	\$ -	\$ -	\$ -	\$ 1,634	\$ 1,634
Addition	1,310,000	50,014	1,200,000	1,913	2,561,927
Repayment	(1,160,000)	(50,014)	(600,000)	(1,586)	(1,811,600)
December 31	\$ 150,000	\$ -	\$ 600,000	\$ 1,961	\$ 751,961

	<u>2020</u>				<u>Total liabilities arising from financing activities</u>
	<u>Shot-term borrowings</u>	<u>Short-term bills payable</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	
January 1	\$ 70,000	\$ 219,740	\$ 600,000	\$ 2,688	\$ 892,428
Addition	340,000	190,306	600,000	-	1,130,306
Repayment	(410,000)	(410,046)	(1,200,000)	(1,677)	(2,021,723)
Other non-cash changes	-	-	-	623	623
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,634</u>	<u>\$ 1,634</u>

7. Related party transactions

(1) Name and relationship of related parties

<u>Name</u>	<u>Relationship with The Company</u>
PHARMAPORTS, LLC (PPL)	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd. (CCPC)	The Company's main affiliates
Chunghwa Yuming Healthcare Co., Ltd. (CYH)	The Company's main affiliates
Tairung Development Co., Ltd.	The Company's main affiliates
Sino-Japan Chemical Co., Ltd.	Other related parties

(2) Major transactions with related parties

1. Operating revenue

	<u>2021</u>	<u>2020</u>
Product sales:		
PPL	\$ 1,214,722	\$ 764,003
CCPC	<u>66,516</u>	<u>95,737</u>
	<u>\$ 1,281,238</u>	<u>\$ 859,740</u>

- (1) The transaction price of the Company's sales to related parties is based on the price agreed by both parties.
- (2) The Company's payment period is 30–120 days (monthly) for non-stakeholders and 120 days (monthly) for stakeholders after shipment.
- (3) The Company signed a raw material production and sales contract with China Chemical & Pharmaceutical Co., Ltd. in 2016 and renewed the contract in 2019. The Company sold raw materials to the said party at the net cost +30% profit for processing into goods; the Company is entitled to a differential profit ratio of 50% profit from actual sales (China Chemical & Pharmaceutical Co., Ltd. gross profit and the Group's sales gross profit).

2. Receivable from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Account receivable from related parties:		
PPL	\$ 265,727	\$ 244,743
CCPC	23,523	41,998
Less: Allowance for losses	(46)	(46)
	<u>\$ 289,204</u>	<u>\$ 286,695</u>

3. Other receivable

	<u>Nature of main transactions</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
PPL	Agency collection and payment	\$ 1,280	\$ 3,114
	Management services	2,398	-
		<u>\$ 3,678</u>	<u>\$ 3,114</u>

4. The Company's business supplies purchased in 2021 and 2020 totaled NT\$2,959 and NT\$2,128, respectively, and are listed as operating cost and miscellaneous fees.

5. The Company provided its subsidiaries with product sub-packaging and shipment and consulting services in 2021 and 2020 worth \$6,468 and \$4,854, respectively; they are book-kept as other income.

6. On November 8, 2021, the Board of Directors approved that the Company may enter into the Letter of Intent for Land Transaction with Sino-Japan Chemical Co., Ltd. As of March 29, 2022, the parties were still negotiating with each other; the Land Transaction Contract was yet to be officially signed by the Company.

(3) Remuneration to key management

	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 37,439	\$ 37,953
Retirement benefits	438	377
	<u>\$ 37,877</u>	<u>\$ 38,330</u>

8. Pledged assets

The Company's assets are used as collateral as follows:

<u>Asset Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purpose of guarantee</u>
Deposits paid (Recognized as Other non-current assets)	<u>\$ 4,000</u>	<u>\$ 4,000</u>	Tariff guarantee bond

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditures that have been signed but not yet incurred

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
property , plant, and equipment	<u>\$ 147,601</u>	<u>\$ 445,400</u>

10. Significant disaster loss

None.

11. Major post-balance sheet events

1. Please refer to Note 6 (14) 4 for a description on distribution of surplus for 2021.
2. On March 8, 2022, the Board of Directors approved that the Company can issue common stock shares or domestic convertible corporate bonds through private placement (including secured or unsecured convertible corporate bonds). It is brought forth during the shareholders' meeting for authorizing the Board of Directors to select appropriate timing and fund-raising tools reflective of the market situation and the needs of the Company for issuance of either one or the combination of the two separately or concurrently.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce the level of debts in order to maintain or adjust the Company's capital structure. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

The Company maintained the same strategy in 2021 as in 2020 and is committed to keeping the debt-to-capital ratio between 20% and 45%.

(2) Financial instruments

1. Types of financial instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 26,726	\$ 32,456
Cash and cash equivalents	175,073	138,151
Notes receivable	480	344
Accounts receivable (including related parties)	381,417	350,108
Other receivable	19,806	12,712
Deposits paid (Recognized as other non-current assets)	4,500	7,164
	<u>\$ 608,002</u>	<u>\$ 540,935</u>
<u>Financial liabilities</u>		
Financial liability measured at the amortized cost		
Short-term borrowings	\$ 150,000	\$ -
Payable notes	1,215	1,215
Accounts payable	77,550	96,495
Other payable	295,143	186,235
Long-term borrowings	600,000	-
Deposits received (Recognized as other non-current liabilities-others and deposits received)	266	266
	<u>\$ 1,124,174</u>	<u>\$ 284,211</u>
Lease liabilities (including current and non-current)	<u>\$ 1,961</u>	<u>\$ 1,634</u>

2. Risk management policies

- (1) The Company's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Company's overall risk management policy focuses on unpredictable events in the financial market, and the Company seeks to mitigate potential adverse effect on the financial position and performance.
- (2) The Company's Finance Department identifies and assesses financial risks in close collaboration with the Company's other operating units.

3. The nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

- A. The Company is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies, especially in US dollars. The relevant exchange rate risks might come from assets and liabilities that are generated from future operating activities and have been recognized.

- B. The Finance Department of the Company conducts hedging for the overall exchange rate risk. Exchange rate risk is measured by highly probable transactions in US dollars. Forward foreign exchange contracts are adopted to reduce the impact of exchange rate fluctuations on expected transactions.
- C. The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

<u>December 31, 2021</u>			
	Foreign currency	Exchange	Book value
	<u>(thousand dollars)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 15,395	27.680	\$ 426,134
<u>Investments accounted for by the equity method</u>			
USD: NTD	\$ 336	27.680	\$ 9,289
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 1,487	27.680	\$ 41,160

<u>December 31, 2020</u>			
	Foreign currency	Exchange	Book value
	<u>(thousand dollars)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 13,185	28.480	\$ 375,509
<u>Investments accounted for by the equity method</u>			
USD: NTD	\$ 448	28.480	\$ 12,771
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 2,700	28.480	\$ 76,896

- D. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Company amounted to a gain of NT\$9,592 and a loss of NT\$11,241 for the years ended December 31, 2021 and 2020, respectively.

- E. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

<u>2021</u>				
<u>Sensitivity analysis</u>				
	<u>Magnitude</u>	<u>Profit and</u>	<u>Other comprehensive</u>	
	<u>changes</u>	<u>loss</u>	<u>profit and loss affected</u>	
		<u>affected</u>		
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$ 4,261	\$	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$ 4,116	\$	-
<u>2020</u>				
<u>Sensitivity analysis</u>				
	<u>Magnitude</u>	<u>Profit and</u>	<u>Other comprehensive</u>	
	<u>changes</u>	<u>loss</u>	<u>profit and loss affected</u>	
		<u>affected</u>		
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$ 3,755	\$	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$ 769	\$	-

Price risk

- A. The Company's equity instruments exposed to the price risk are such financial assets held at fair value through profit & loss. To manage the price risk of investment in equity instruments, the Company conducts investment exactly within the limit set by the Company.
- B. The Company invests primarily in equity instruments issued by domestic companies. The price of such equity instrument is subject to the uncertainty of the future value of investment target. In case the price of the said equity instrument rises or drops by 10% while the other factors remain unchanged, the after-tax net profit for 2021 and 2020 due to the profit or loss of the equity instrument measured from fair value through profit and loss will increase or decrease by NT\$2,673 and NT\$3,246 respectively.

Cash flow and fair value interest rate risk

- A. The Company's interest rate risk mainly comes from short-term borrowings issued at floating rates, short-term bills payable and long-term borrowing, which exposes the Company to cash flow interest rate risk. The Company's policy is to maintain at least 40% of the borrowings at fixed interest rates, which can be achieved through interest rate swap when necessary. For 2021 and 2020, the Company's borrowings issued at floating rates were mainly denominated in New Taiwan dollars.

- B. If the interest rates of borrowing NTD increases or decreases by 1%, while all other factors remain constant, the net profit after tax for 2021 and 2020 is an increase of NT\$5,600 and NT\$0, respectively, mainly due to the interest expense changes caused by the floating interest rate.
- (2) Credit risk
- A. Credit risk refers to the risk of financial loss of the Company arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable.
- B. The management of credit risk is established with a Company perspective. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Office of the General Manager. The utilization of credit limits is regularly monitored.
- C. The Company adopts the above assumption provided by the IFRS 9 that if a contract payment is overdue for more than 90 days in accordance with the agreed payment terms, it is considered a breach of contract.
- D. The Company adopts the following assumption provided by the IFRS 9 as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:
If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.
- E. The Company categorizes the accounts receivable from customers based on their nature. The provision matrix and the loss ratio method are adopted as the basis for estimating the expected credit loss.
- F. The Company may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Company will still continue the recourse to protect the rights of the claims. For the year ended December 31, 2021 and 2020, the Company has no creditor's rights that have been written off but are involved in recourse.
- G. The Company has included the global economic indicators and signals and estimated the loss allowance for notes receivable and accounts (including the interested parties) based on the loss rates built according to historic and current data. The provision matrix and loss rate as of December 31, 2021 and 2020 are show as follows:

<u>December 31, 2021</u>	<u>Expected rate of loss</u>	<u>Total book value</u>	<u>Allowance for losses</u>
Not overdue	0.02%~0.17%	\$ 346,246	\$ 294
Overdue within 30 days	0.21%~2.08%	35,945	-
Overdue 31 to 60 days	0.21%~2.12%	-	-
Overdue 61 to 90 days	0.80%~8.00%	-	-
Overdue 91	10%~100%	18,345	18,345
		<u>\$ 400,536</u>	<u>\$ 18,639</u>

<u>December 31, 2021</u>	<u>Expected rate of loss</u>	<u>Total book value</u>	<u>Allowance for losses</u>
Not overdue	0.02%~0.17%	\$ 248,047	\$ 287
Overdue within 30 days	0.25%~2.46%	80,690	7
Overdue 31 to 60 days	0.25%~2.50%	22,009	-
Overdue 61 to 90 days	0.68%~6.67%	-	-
Overdue 91	10%~100%	-	-
		<u>\$ 350,746</u>	<u>\$ 294</u>

H. The Company adopts a simplified method in which the loss allowance for the accounts receivable is shown below:

	<u>2021</u>
	<u>Notes receivable and accounts</u>
	<u>(including interested parties)</u>
January 1	\$ 294
Impairment loss is recognized	18,345
December 31	<u>\$ 18,639</u>
	<u>2020</u>
	<u>Notes receivable and accounts</u>
	<u>(including interested parties)</u>
January 1	\$ 294
Impairment loss is recognized	-
December 31	<u>\$ 294</u>

The amount recognized above is based on other credit enhancements held, so the unrecognized loss allowance as of December 31, 2021 and 2020 are \$147 and NT\$559. Among the reversed loss in 2021 and 2020, \$0 is the impairment loss reversed by payables derived from customer contracts.

(3) Liquidity risk

A. Cash flow forecasting is performed by the operating entities of the Company and aggregated by the Company's Finance Department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs and maintain sufficient unencumbered loan commitments at all times. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

B. The Company's unutilized borrowings are shown as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Maturing in one year or less	\$ 920,000	\$ -
Mature beyond one year	-	200,000
	<u>\$ 920,000</u>	<u>\$ 200,000</u>

C. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2021	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
Payable notes	\$ 1,215	\$ -	\$ -
Accounts payable	77,550	-	-
Other payable	295,143	-	-
Lease liabilities	961	772	253
Deposits received (Recognized as other current liabilities-others)	266	-	-

Non-derivative financial liabilities:

December 31, 2020	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
Payable notes	\$ 1,215	\$ -	\$ -
Accounts payable	96,495	-	-
Other payable	186,235	-	-
Lease liabilities	1,214	311	123
Deposits received (Recognized as other current liabilities-others)	266	-	-

(3) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in publicly traded or OTC stocks is included.

Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

Level 3: The unobservable inputs of assets or liabilities.

2. Please refer to Note 6 (7) for the fair value of investment property carried at cost.
3. Financial instrument not measured at fair value:

Include the book value of cash and cash equivalents, notes receivable, accounts receivable (including the interested parties), other receivable, short-term borrowings, short-term notes payable, Notes payable, accounts payable and other accounts payable as reasonable approximation of fair value.

4. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(1) The Company classifies them based on the nature of assets and liabilities, and the information is as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repeatable fair value</u>				
Financial assets at fair value through profit and loss				
Equity securities	\$ -	\$ -	\$ 26,726	\$ 26,726
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repeatable fair value</u>				
Financial assets at fair value through profit and loss				
Equity securities	\$ -	\$ -	\$ 32,456	\$ 32,456

(2) The methods and assumptions adopted by the Company to measure fair value are as follows:

- A. The fair value of other financial instruments is obtained by valuation or reference to quotation from counterparties.
- B. When assessing non-standardized and less complex financial instruments, the Company adopts valuation techniques widely used by other market participants. The parameters used in the valuation models for this type of financial instruments are usually observable market information.
- C. The output of valuation models are estimates, and the valuation techniques may not reflect all factors affecting the financial instruments and non-financial instruments held by the Company. Therefore, the estimates of valuation models will be adjusted according to additional parameters, such as model risk or liquidity risk. Based on the management policies of the Company's valuation model at fair value and the related control procedures, the management believes that to fairly present the fair value of financial and non-financial instruments in the individual balance sheet, adjusting valuation may be appropriate and necessary. Price information and parameters used in valuation are carefully assessed and they are appropriately adjusted according to the current market conditions.

5. There were no transfers between Level 1 and 2 in 2021 and 2020.

6. The following table shows the changes in Level 3 in 2021 and 2020:

	<u>2021</u>
	<u>Equity instruments</u>
January 1	\$ 32,456
Income recognized in profit or loss (Note)	3,270
Payment on shares refunded by capital decrease	(9,000)
December 31	<u>\$ 26,726</u>

	<u>2020</u>
	<u>Equity instruments</u>
January 1	\$ 28,160
Income recognized in profit or loss (Note)	4,296
December 31	<u>\$ 32,456</u>

Note: Other gains and losses listed.

7. There were no transfers in and/or out of Level 3 in 2021 and 2020.
8. With respect to the valuation of fair value classified as Level 3, the Finance Department is responsible for the independent verification of fair value of financial instruments. Based on independent information, the valuation results can be closer to the market conditions. The independence and reliability of information and the consistency with other sources, as well as other necessary adjustments to the fair value, can ensure that the results are reasonable.

In addition, the Finance Department develops valuation policies and procedures for fair value of financial instruments and ensure that they comply with the requirements of the International Financial Reporting Standards.

9. The quantitative and sensitivity analysis of significant and unobservable input of valuation models used for measuring Level 3 fair value is shown as follows:

	<u>Fair value as of</u>	<u>Valuation</u>	<u>Significant</u>	<u>Relationship</u>
	<u>December 31, 2021</u>	<u>technique</u>	<u>unobservable</u>	<u>between input</u>
			<u>input value</u>	<u>value and fair</u>
				<u>value</u>
Shares of venture capital	\$ 26,726	Net asset value method	Not applicable	Not applicable

	<u>Fair value as of</u>	<u>Valuation</u>	<u>Significant</u>	<u>Relationship</u>
	<u>December 31, 2020</u>	<u>technique</u>	<u>unobservable</u>	<u>between input</u>
			<u>input value</u>	<u>value and fair</u>
				<u>value</u>
Shares of venture capital	\$ 32,456	Net asset value method	Not applicable	Not applicable

10. The Company conducts careful assessment before determining the valuation model and parameters to be used, and the use of different valuation models or parameters may lead to different valuation results.

13. Notes of disclosure

(1) Information about important transactions

- Loans to others: None
- Provision of endorsements and guarantees to others: None
- Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
- The cumulative purchase or sale of the same security for an amount exceeding NT\$300 million or 20% of paid-in capital: Not applicable.
- Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- Disposition of real estate properties amounting to more than NTD300 million or 20% of paid up capital: Not applicable.
- Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Attached table 2.
- Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 3.

9. Engaged in derivatives trading: None.

10. Significant inter-company transactions during the reporting periods: Please refer to Table 4.

(2) Information regarding investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Table 5.

(3) Information regarding investment in the territory of mainland china

1. Basic information: None.

2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

(4) Information of major shareholders

Information of major shareholders: Please refer to Table.

14. Segment information

Based on IAS 8 and is also disclosed in the consolidated financial report.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

January 1 to December 31, 2021

Attached table 1

Unit: NTD thousand

(Except where otherwise stated)

<u>Holding company</u>	<u>Type and name of marketable securities</u> (Note 1)	<u>Relationship with the securities issuer</u>	<u>Account titles in book</u>	<u>Quantity</u>	<u>Book value (Note 2)</u>	<u>At ending</u>		<u>Fair value</u>	<u>Remarks</u>
						<u>Shareholding</u>	<u>percentage</u>		
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Common shares China Development Biomedical Venture Capital (limited company)	None	Financial assets at fair value through profit and loss	2,100,000	\$ 26,726	1.71%	\$	26,726	None

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates and the securities deriving from the above items within the scope of IFRS 9, "Financial Instruments".

Note 2: Book value is determined based on fair value less accumulated impairment for marketable securities measured at fair value. For those not measured at fair value, the book value is determined based on the acquisition cost or amortized cost less accumulated impairment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Purchase from or sale to

January 1 to December 31, 2021

Attached table 2

Unit: NTD thousand
(Except where otherwise stated)

<u>Transactions</u>							<u>Trading terms different from general trade and reasons</u>		<u>Notes and accounts receivable (payable)</u>		
<u>Purchase (sale) company</u>	<u>Name of counterparty</u>	<u>Relation</u>	<u>Purchase (sale)</u>	<u>Amount</u>	<u>Percentage of total purchase (sale)</u>	<u>The credit period</u>	<u>Unit price</u>	<u>The credit period</u>	<u>Balance</u>	<u>Percentage of total notes, accounts receivable (payable)</u>	<u>Remarks</u>
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	Sale	\$ 1,214,722	64%	Collection period is 60 to 90 days after delivery.	The agreed amount of the two parties	-	\$ 265,727	66%	None

Note: The disclosure is made by the income and corresponding transactions will not be disclosed additionally.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

8. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

January 1 to December 31, 2021

Attached table 3

Unit: NTD thousand
(Except where otherwise stated)

<u>The company booked in the receivables</u>	<u>Name of counterparty</u>	<u>Relation</u>	<u>Receivables from related</u>		<u>Turnover</u> rate	<u>Overdue Receivables from related parties</u>		Receivables amount collected from related parties subsequently	<u>Provision for loss allowance</u>
			<u>party</u>			<u>Amount</u>	<u>Disposal Method</u>		
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	\$	265,727	4.76 \$	-	-	\$ 265,727	\$ -
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries		3,678	-	-	-	-	-

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Significant inter-company transactions during the reporting periods
January 1 to December 31, 2021

Attached table 4

Unit: NTD thousand
(Except where otherwise stated)

						<u>Transactions</u>	<u>Percentage of consolidated total operating revenues or total assets</u>
<u>Code</u> <u>(Note 1)</u>	<u>Trader's name</u>	<u>Counterparty</u>	<u>Relationship (Note 2)</u>	<u>Item</u>	<u>Amount</u>	<u>Terms and conditions</u>	<u>(Note 3)</u>
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Sales revenue	\$ 1,214,722	Note 4	63%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Accounts receivable	265,727	Note 4	6%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Other revenue	6,468	Note 4	0%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Other receivable	3,678	Note 4	0%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

- (1) Fill in "0" for parent company.
- (2) Subsidiaries are numbered from number 1.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication). Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).

- (1) Parent company vs. subsidiaries.
- (2) Subsidiaries vs. parent company.
- (3) Subsidiaries vs. subsidiaries.

Note 3: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 4: Payment collection terms for sales and service provided to related parties are 60 to 90 days after shipment and provision of service, respectively.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Names, locations and other information of investee companies (not including investees in China)

January 1 to December 31, 2021

Attached table 5

Unit: NTD thousand
(Except where otherwise stated)

<u>Investor</u>	<u>Name of investee</u>	<u>Location</u>	<u>Principal business</u>	<u>Sum of initial investment</u>		<u>Ending shareholding</u>			<u>Current period profit / loss of the investee</u>	<u>Recognized investment Income</u>	<u>Remarks</u>
				<u>Current period-end</u>	<u>The end of last year</u>	<u>Quantity</u>	<u>Ratio</u>	<u>Book value</u>			
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	PHARMAPORTS, LLC	U.S.	Trading of API drugs	\$ 4,925	\$ 4,925	-	98.00%	\$ 9,289	\$ 13,579	\$ 13,308	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	China Chemical & Pharmaceutical Co., Ltd.	Taiwan	Manufacturing and sales of pharmaceuticals and health care products and import of the related medical equipment.	863,602	463,641	42,053,137	14.11%	1,032,860	517,508	50,100	Affiliate business

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Information of major shareholders

December 31, 2021

Attached table 6

		<u>Shareholding</u>	
<u>Name of main shareholder</u>	<u>Number of shares held</u>	<u>Shareholding percentage</u>	
China Chemical & Pharmaceutical Co., Ltd.	21,509,064		27.73

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Cash and cash equivalents
December 31, 2021

List 1

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	
Petty Cash		\$	105
Cash on hand			406
Bank deposits			
Check deposits			35,748
Demand deposit - NTD			83,562
Demand deposit - Foreign currency	US\$ 1,996,101, at a rate of 1 USD = 27.68 NTD.		<u>55,252</u>
		\$	<u>175,073</u>

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Accounts receivable - non-related parties
December 31, 2021

List 2

Unit: NTD thousand

<u>Name of customer</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
A Customer		\$ 32,853	
Customer B		29,064	
Customer C		17,937	
Customer D		12,096	
Customer E		7,035	
Other individual customers		<u>11,821</u>	The balance of each client did not exceed 5% of this account.
		110,806	
Less: Allowance for losses		(<u>18,593</u>)	
		<u>\$ 92,213</u>	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Inventory
December 31, 2021

List 3

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>		<u>Remarks</u>
		<u>Cost</u>	<u>Net realizable value</u>	
Raw materials		\$ 366,960	\$ 369,598	The replacement cost of raw materials is the net realizable value, and the work in process products and the finished products are evaluated by the net realizable value.
Work in process		71,866	109,769	
Finished products		<u>396,099</u>	<u>966,753</u>	
Subtotal		834,925	<u>\$ 1,446,120</u>	
Less: Allowance for inventory price decline		<u>(81,075)</u>		
		<u>\$ 753,850</u>		

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Investment changes using the equity method
January 1 to December 31, 2021

List 4

Unit: NTD thousand

<u>Name</u>	<u>Balance, beginning</u>		<u>Increase</u>		<u>Decrease</u>		<u>Balance, ending</u>			<u>Net market price or equity</u>	
	<u>Quantity</u>	<u>Amount</u>	<u>Quantity</u>	<u>Amount</u>	<u>Quantity</u>	<u>Amount</u>	<u>Quantity</u>	<u>percentage</u>	<u>Amount</u>	<u>Unit price</u>	<u>Total amount</u>
China Chemical & Pharmaceutical Co., Ltd.	25,294,137	\$ 511,434	16,759,000	\$ 560,403	-	(\$ 38,977)	42,053,137	14.11%	\$ 1,032,860	\$ -	\$ 952,504
PHARMAPORTS,LLC	-	<u>12,771</u>	-	<u>12,811</u>	-	<u>(16,293)</u>	-	98.00%	<u>9,289</u>	-	<u>9,701</u>
		<u>\$ 524,205</u>		<u>\$ 573,214</u>		<u>(\$ 55,270)</u>			<u>\$ 1,042,149</u>		<u>\$ 962,205</u>

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Statement of Short-term Loan
December 31, 2021

List 5

Unit: NTD thousand

<u>Type of Loans</u>	<u>Description</u>	<u>Balance, ending</u>	<u>Agreement Terms</u>	<u>Interest rate collars</u>	<u>Financing amount</u>	<u>Collateral and Mortgage</u>
Credit loan	Cathay United Bank	\$ 50,000	2021.12.27~2022.2.25	0.81%	\$ 50,000	None
"	Shin Kong Commercial Bank Co., Ltd.	50,000	2021.12.27~2022.1.17	0.80%	100,000	"
"	Yushan Bank	<u>50,000</u>	2021.11.08~2022.1.17	0.83%	150,000	"
		<u>\$ 150,000</u>				

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Statement of long-term borrowings
December 31, 2021

List 6

Unit: NTD thousand

<u>Creditor</u>	<u>Summary</u>		<u>Loan amount</u>	<u>Agreement Terms</u>	<u>Interest rate</u>	<u>Collateral and Mortgage</u>
Hua Nan Commercial Bank	Credit loan	\$	300,000	2021.12.27~2023.12.27	1.13%	None
Taipei FuBon Bank	"		200,000	2021.12.27~2023.12.27	1.35%	"
Chang Hwa Bank	"		100,000	2021.12.27~2023.09.24	1.13%	"
		\$	<u>600,000</u>			

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Operating revenues

January 1 to December 31, 2021

List 7

Unit: NTD thousand

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Remarks</u>
Biotechnology products	1.939 KG	\$ 841,922	
Non-biotechnology products	196,333 KG	1,050,187	
Labor revenue		<u>4,516</u>	
Net operating income		<u>\$ 1,896,625</u>	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Operating cost

January 1 to December 31, 2021

List 8

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Beginning raw materials	\$	188,368	
Add: Incoming materials delivered for the period		861,450	
Less: Raw materials at the end of period	(	366,960)	
Transferred to R&D expenses	(	3,419)	
Scrapped raw materials	(	5,115)	
Direct material usage		674,324	
Direct labor		61,915	
Manufacturing overhead		365,939	
Manufacturing cost		1,102,178	
Add: Opening balance of work in process products		77,104	
Transfer-in of finished products		1,251,941	
Less: Ending balance of work in process products	(	74,911)	
Cost for finished goods		2,356,312	
Add: Opening balance of finished products		282,773	
Less: Ending balance of finished products	(	396,099)	
Transfer-in of work in process products	(	1,251,941)	
Transferred to R&D expenses	(	28,413)	
Transferred as labor costs	(	258)	
Finished products scrapped	(	9,775)	
Cost of goods sold		952,599	
Add: Loss from inventory depreciation		14,074	
Inventory disposition losses		14,890	
Labor service cost		2,000	
Less: Income from sales of scrap	(	3,019)	
Total operating cost	\$	980,544	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Manufacturing overhead
January 1 to December 31, 2021

List 9

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Depreciation	\$	97,188	
Salaries		77,537	
Utilities expenses		41,804	
Garbage and sludge cleaning and transportation fees		34,287	
Consumables		28,066	
Repairs expenses		17,548	
Fuel expenses		19,490	
Other Expenses		50,019	The amount of each item did not exceed 5% of this account.
	\$	<u>365,939</u>	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Marketing expenses

January 1 to December 31, 2021

List 10

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Commission expense		\$ 56,770	
Transportation expenses		43,019	
Salaries		16,699	
Insurance expenses		7,241	
Other Expenses		9,092	The amount of each item did not exceed 5% of this account.
		<u>\$ 132,821</u>	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Administrative expenses
January 1 to December 31, 2021

List 11

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Salaries	\$	59,842	
Professional service expenses		13,649	
Depreciation		3,980	
Other Expenses		<u>17,756</u>	The amount of each item did not exceed 5% of this account.
	\$	<u>95,227</u>	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Research and development expenses
January 1 to December 31, 2021

List 12

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Salaries	\$	122,550	
Depreciation		27,950	
Consumables		25,923	
Trial production expense		29,667	
Other Expenses		46,774	The amount of each item did not exceed 5% of this account.
	\$	<u>252,864</u>	