

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

Address: 17F, No. 277, Song Ren Road, Xin Yi District, Taipei City 110, Taiwan
Telephone: (02)2700-5908

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the consolidated financial statements of Lotus Pharmaceutical Co., Ltd. as of and for the year ended December 31, 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Lotus Pharmaceutical Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Lotus Pharmaceutical Co., Ltd.
Vilhelm Robert Wessman
March 6, 2025.



安侯建業聯合會計師事務所

KPMG

新竹市科學園區300091展業一路11號
No. 11, Prosperity Road I, Hsinchu Science Park,
Hsinchu, 300091, Taiwan (R.O.C.)

電話 Tel	+ 886 3 579 9955
傳真 Fax	+ 886 3 563 2277
網址 Web	kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of Lotus Pharmaceutical Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Lotus Pharmaceutical Co., Ltd. (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Revenue Recognition

Refer to Note 4(15) accounting policy for revenue recognition and Note 6(21) “Revenue from contracts with customers” to the consolidated financial statements. Revenues are recognized by net values of contract prices, less sales returns and allowances, after controls of the products are transferred to the customers.

Key audit matters:

The Group's sales is mainly derived from the selling of pharmaceuticals and chemical drugs. Because the customers are diverse and numerous, it takes longer time to verify sales transactions and related arrangements. Additionally, there might be a significant risk of material misstatement due to part of the revenue arising from related party transactions. Therefore, revenue recognition is one of the important areas in performing our audit procedures.

How the matter was addressed in our audit:

In relation to the key audit matter, we have performed audit procedures including

- (1) Testing the design and the operating effectiveness of the internal control system of sales and collection operation;
- (2) Testing the selected samples of sales transaction before and after the balance sheet date to ensure the appropriate cut-off of sales revenue;
- (3) Substantively testing the selected samples of revenues (including sending related parties' confirmation letters), inspecting related documents and contracts to identify performance obligations, ensuring the adequacy and reasonableness of revenue recognition.

2. Goodwill Impairment Assessment

For the impairment assessment of goodwill, please refer to Note 4(12) "Intangible assets", Note 4(13) "Impairment of non-financial assets", Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(9) "Goodwill" to the consolidated financial statements.

Key audit matters:

The Group's goodwill mainly arose from business combinations. As the pharmaceutical industry is highly competitive and subject to volatility, it is important to assess the impairment of goodwill. The impairment assessment includes identifying cash generating units (CGUs), determining the valuation model used, determining significant assumptions made by the management, and calculating the recoverable amounts. Since the impairment assessment process and the subjective judgment made by the management on the assumptions used are quite complex, the impairment assessment of goodwill is considered one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included assessing whether there are impairment indicators for the identified CGUs of the Group and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related CGU's future cash flows projection, useful lives, and weighted average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior period estimates and performing a sensitivity analysis of key assumptions and results. Furthermore, we assess the reasonableness of expected growth rate, discount rate and other significant assumptions used in the evaluation model.



Other Matter

Lotus Pharmaceutical Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2024 and 2023, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are An-Chih Cheng and Pao-Lian Chou.

KPMG

Taipei, Taiwan (Republic of China)
March 6, 2025

Notes to Readers

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

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2024</u>		<u>December 31, 2023</u>				<u>December 31, 2024</u>		<u>December 31, 2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 6,030,113	15	1,770,880	5	2100	Short-term borrowings (note 6(12))	\$ 1,614,619	4	510,000	2
1140	Contract assets—current (notes 6(21) and 7)	221,774	1	128,782	-	2130	Contract liabilities—current (notes 6(21) and 7)	180,900	-	132,854	-
1170	Accounts receivable, net (notes 6(4) and (11))	1,952,511	5	1,648,943	5	2170	Notes and accounts payable	988,104	3	624,918	2
1180	Accounts receivable—related parties (note 7)	5,260,516	13	4,606,390	14	2180	Accounts payable—related parties (note 7)	82,334	-	45,878	-
1200	Other receivables	66,518	-	14,303	-	2200	Other payables	1,229,237	3	1,154,813	4
1210	Other receivables—related parties (note 7)	69,560	-	156,846	-	2220	Other payables—related parties (note 7)	99,303	-	177,752	-
1220	Current tax assets	132,461	-	61,976	-	2230	Current tax liabilities	664,472	2	436,556	1
1310	Inventories (note 6(5))	3,833,331	10	3,775,380	12	2250	Provisions—current (note 6(15))	48,846	-	32,250	-
1479	Other current assets (notes 8 and 9)	<u>531,495</u>	<u>1</u>	<u>489,373</u>	<u>2</u>	2280	Lease liabilities—current (note 6(14))	84,315	-	70,240	-
Total current assets		<u>18,098,279</u>	<u>45</u>	<u>12,652,873</u>	<u>38</u>	2320	Current portion of long-term borrowings (notes 6(13) and 8)	3,389,979	9	1,302,963	4
Non-current assets:						2399	Other current liabilities	<u>56,015</u>	<u>-</u>	<u>36,053</u>	<u>-</u>
1510	Financial asset at fair value through profit or loss—non-current (note 6(2))	3,188,859	8	2,584,701	8	Total current liabilities		<u>8,438,124</u>	<u>21</u>	<u>4,524,277</u>	<u>13</u>
1517	Financial asset at fair value through other comprehensive income—non-current (note 6(3))	405,177	1	463,611	2	Non-current liabilities:					
1600	Property, plant and equipment (notes 6(6), (7) and 8)	3,395,360	9	3,257,798	10	2527	Contract liabilities—non-current (note 6(21))	26,563	-	45,326	-
1755	Right-of-use assets (note 6(8))	270,971	1	253,419	1	2540	Long-term borrowings (notes 6(13) and 8)	8,383,528	21	9,519,386	29
1805	Goodwill (notes 6(6) and (9))	6,126,521	15	5,669,621	18	2550	Provisions—non-current (note 6(15))	37,585	-	27,417	-
1821	Other intangible assets (notes 6(6), (10) and 7)	7,838,085	20	7,364,995	22	2570	Deferred tax liabilities (note 6(17))	1,092,749	3	721,199	3
1840	Deferred tax assets (note 6(17))	486,423	1	411,687	1	2580	Lease liabilities—non-current (note 6(14))	194,063	-	182,200	-
1930	Long-term accounts receivable (note 6(11))	122,728	-	152,603	-	2640	Defined benefit liabilities, net (note 6(16))	641,208	2	481,302	2
1990	Other non-current assets (notes 8 and 9)	<u>168,740</u>	<u>-</u>	<u>180,281</u>	<u>-</u>	2670	Other non-current liabilities	<u>106,897</u>	<u>-</u>	<u>156,847</u>	<u>-</u>
Total non-current assets		<u>22,002,864</u>	<u>55</u>	<u>20,338,716</u>	<u>62</u>	Total non-current liabilities		<u>10,482,593</u>	<u>26</u>	<u>11,133,677</u>	<u>34</u>
						Total liabilities		<u>18,920,717</u>	<u>47</u>	<u>15,657,954</u>	<u>47</u>
						Equity (notes 6(18) and (19)):					
						3100	Share capital	2,658,583	7	2,649,583	8
						3200	Capital surplus	7,430,959	19	7,130,549	22
						3300	Retained earnings	12,660,106	31	8,900,089	27
						3400	Other equity	(1,520,836)	(4)	(1,295,489)	(4)
						3500	Treasury shares	<u>(48,386)</u>	<u>-</u>	<u>(51,097)</u>	<u>-</u>
						Total equity		<u>21,180,426</u>	<u>53</u>	<u>17,333,635</u>	<u>53</u>
Total assets		<u>\$ 40,101,143</u>	<u>100</u>	<u>32,991,589</u>	<u>100</u>	Total liabilities and equity		<u>\$ 40,101,143</u>	<u>100</u>	<u>32,991,589</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2024		2023	
		Amount	%	Amount	%
4000	Net revenue (notes 6(11), (21) and 7)	\$ 18,584,227	100	16,957,971	100
5000	Cost of sales (notes 6(5) and 7)	7,660,151	41	7,574,159	45
5900	Gross profit from operations	10,924,076	59	9,383,812	55
	Operating expenses (notes 6(6) and 7):				
6100	Selling expenses	2,630,420	14	2,540,013	15
6200	Administrative expenses	1,502,744	8	1,224,068	7
6300	Research and development expenses	773,894	5	720,826	4
6450	Expected credit loss reversed (note 6(4))	(2,961)	-	(4,037)	-
	Total operating expenses	4,904,097	27	4,480,870	26
6900	Operating income	6,019,979	32	4,902,942	29
	Non-operating income and expenses:				
7100	Interest income	101,437	1	31,548	-
7010	Other income (notes 6(3) and 7)	74,773	-	67,074	-
7020	Other gains and losses, net (note 6(23))	734,154	4	658,758	4
7050	Finance costs (note 6(23))	(570,765)	(3)	(557,397)	(3)
		339,599	2	199,983	1
7900	Income before income tax	6,359,578	34	5,102,925	30
7950	Less: Income tax expense (note 6(17))	1,294,068	7	997,299	6
	Net income	5,065,510	27	4,105,626	24
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Losses on remeasurement of defined benefit plans (note 6(16))	(96,612)	(1)	(36,742)	-
8316	Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income	(35,780)	-	189,978	1
8349	Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss (note 6(17))	22,807	-	7,788	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(109,585)	(1)	161,024	1
8360	Components of other comprehensive loss that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(226,354)	(1)	(1,769)	-
	Components of other comprehensive loss that may be reclassified to profit or loss	(226,354)	(1)	(1,769)	-
8300	Other comprehensive income (loss), net	(335,939)	(2)	159,255	1
8500	Total comprehensive income	\$ 4,729,571	25	4,264,881	25
	Earnings per share (note 6(20))				
9750	Basic earnings per share	\$ 19.35		15.72	
9850	Diluted earnings per share	\$ 19.23		15.67	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Share capital	Capital surplus	Retained earnings			Total	Exchange differences on translation of foreign financial statements	Other equity		Total	Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings			Unrealized gains (losses) on financial asset at fair value through other comprehensive income	Unearned share-based payments			
Balance at January 1, 2023	\$ 2,625,913	7,534,348	179,264	663,921	3,980,232	4,823,417	(762,342)	(271,943)	(24,149)	(1,058,434)	(57,354)	13,867,890
Net income	-	-	-	-	4,105,626	4,105,626	-	-	-	-	-	4,105,626
Other comprehensive income (loss)	-	-	-	-	(28,954)	(28,954)	(1,769)	189,978	-	188,209	-	159,255
Total comprehensive income (loss)	-	-	-	-	4,076,672	4,076,672	(1,769)	189,978	-	188,209	-	4,264,881
Appropriation of earnings:												
Legal reserve appropriated	-	-	312,278	-	(312,278)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	370,363	(370,363)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	(906,227)	-	-	-	-	-	-	-	-	-	(906,227)
Share-based payments	23,670	502,428	-	-	-	-	-	-	(425,264)	(425,264)	6,257	107,091
Balance at December 31, 2023	2,649,583	7,130,549	491,542	1,034,284	7,374,263	8,900,089	(764,111)	(81,965)	(449,413)	(1,295,489)	(51,097)	17,333,635
Net income	-	-	-	-	5,065,510	5,065,510	-	-	-	-	-	5,065,510
Other comprehensive loss	-	-	-	-	(73,805)	(73,805)	(226,354)	(35,780)	-	(262,134)	-	(335,939)
Total comprehensive income (loss)	-	-	-	-	4,991,705	4,991,705	(226,354)	(35,780)	-	(262,134)	-	4,729,571
Appropriation of earnings:												
Legal reserve appropriated	-	-	407,667	-	(407,667)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(188,210)	188,210	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(1,231,688)	(1,231,688)	-	-	-	-	-	(1,231,688)
Share-based payments	9,000	300,410	-	-	-	-	-	-	36,787	36,787	2,711	348,908
Balance at December 31, 2024	\$ 2,658,583	7,430,959	899,209	846,074	10,914,823	12,660,106	(990,465)	(117,745)	(412,626)	(1,520,836)	(48,386)	21,180,426

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Income before income tax	\$ 6,359,578	5,102,925
Adjustments:		
Adjustments to reconcile income		
Depreciation expense	366,398	306,565
Amortization expense	916,855	904,074
Reversal of expected credit loss	(2,961)	(4,037)
Gains on financial asset at fair value through profit or loss	(604,158)	(715,051)
Finance costs	570,765	557,397
Interest income	(101,437)	(31,548)
Dividend income	(11,274)	(10,023)
Share-based payment costs	348,649	106,493
Losses on disposal of property, plant and equipment	641	24,745
Losses on disposal of intangible assets	57	-
Impairment losses on intangible assets	159,991	179,368
Unrealized foreign exchange gains	(9,035)	(186,837)
Write-downs of inventories	191,690	169,288
Losses from early repayment of loans	911	103,794
Losses (gains) on lease modifications	944	(66)
Total adjustments to reconcile income	<u>1,828,036</u>	<u>1,404,162</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(92,945)	129,742
Accounts receivable, net	(126,896)	(295,475)
Accounts receivable—related parties	(630,928)	(1,499,249)
Other receivables	(23,906)	30,817
Other receivables—related parties	12,711	(34,916)
Inventories	(181,332)	(623,175)
Other current assets	(29,332)	(143,087)
Long-term accounts receivable	(5,408)	(148,064)
Other non-current assets	(20)	(2,252)
Total changes in operating assets	<u>(1,078,056)</u>	<u>(2,585,659)</u>
Changes in operating liabilities:		
Contract liabilities	32,933	(69,331)
Notes and accounts payable	311,982	(623,182)
Accounts payable—related parties	34,470	(36,390)
Other payables	(53,191)	(76,979)
Other payables—related parties	(79,665)	(134,395)
Provisions	18,920	(3,787)
Other current liabilities	17,837	2,439
Defined benefit liabilities, net	82,316	90,030
Other non-current liabilities	507	(676)
Total changes in operating liabilities	<u>366,109</u>	<u>(852,271)</u>
Total changes in operating assets and liabilities	<u>(711,947)</u>	<u>(3,437,930)</u>
Total adjustments	<u>1,116,089</u>	<u>(2,033,768)</u>

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	2024	2023
Cash flows generated from operations	7,475,667	3,069,157
Interest received	89,489	27,690
Interest paid	(495,055)	(446,254)
Income taxes paid	(915,235)	(1,036,386)
Net cash flows generated from operating activities	6,154,866	1,614,207
Cash flows from investing activities:		
Net cash outflow arising from acquisition of subsidiary	(1,241,622)	-
Acquisition of property, plant and equipment	(353,838)	(410,568)
Proceeds from disposal of property, plant and equipment	613	1,254
Decrease (increase) in refundable deposits	10,674	(29,032)
Acquisition of intangible assets (including capitalized development expenses)	(1,111,695)	(2,864,456)
Decrease in other current assets	-	43,489
Increase in other non-current assets	(7)	-
Dividends received	5,157	10,023
Net cash flows used in investing activities	(2,690,718)	(3,249,290)
Cash flows from financing activities:		
Proceeds from short-term borrowings	2,377,521	1,216,411
Repayments of short-term borrowings	(1,259,690)	(861,821)
Proceeds from long-term borrowings	2,950,752	20,475,693
Repayments of long-term borrowings	(2,010,570)	(18,414,260)
Payments of lease liabilities	(112,183)	(107,722)
Payments of dividends	(1,231,688)	(906,227)
Decrease in guarantee deposits received	(312)	-
Treasury shares transferred to employees	259	598
Net cash flows generated from financing activities	714,089	1,402,672
Effect of exchange rate changes on cash and cash equivalents	80,996	19,908
Net increase (decrease) in cash and cash equivalents	4,259,233	(212,503)
Cash and cash equivalents at beginning of period	1,770,880	1,983,383
Cash and cash equivalents at end of period	\$ 6,030,113	1,770,880

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

Lotus Pharmaceutical Co., Ltd. (the “Company”) was incorporated in Taiwan, the Republic of China (ROC), on June 30, 1966. On January 29, 2010, the Company’s shares were traded on the Taipei Exchange and on December 16, 2019, the Company switched the listing venue of its shares to the Taiwan Stock Exchange (the “TWSE”).

On August 11, 2014, the Company issued privately placed shares of 151,100,000 shares to Innobic Asia Investment Holding Limited (“INIH,” formerly “Alvogen Emerging Markets Holdings Limited”), a wholly owned subsidiary under the Alvogen Group; consequently, INIH becomes the largest shareholder of the Company. The Company subsequently acquired equity interest in certain subsidiaries of the Alvogen Group in South Korea, India and Taiwan (collectively, the “legal subsidiaries”). The consolidated financial statements were issued in the name of the Company but presented as a continuation of the financial statements of the legal subsidiaries.

On April 7, 2022, the Alvogen Group transferred its investment in INIH to Innobic Hong Kong Biddingco Limited (formerly “Aztig II BidCo Limited”); consequently, the Company’s ultimate controlling party changed to PTT Public Company Limited (“PTT”). Together with the ownership interest held by another PTT’s subsidiary, Innobic LL Holding Company Limited, PTT owned an aggregate ownership interest of 37.67% in the Company as of December 31, 2024; please refer to note 13(4). PTT is listed on the Stock Exchange of Thailand.

The Company and its subsidiaries (collectively referred to as the “Group”) is engaged mainly in the research and development, manufacturing and sales of generic and branded pharmaceutical products, as well as consulting services.

2. Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on March 6, 2025.

3. New standards, amendments and interpretations adopted

- (1) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. (the “FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

- (2) The impact of IFRS Accounting Standards endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 21 “Lack of Exchangeability”

- (3) The impact of IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”) but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the IASB, but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.	January 1, 2027

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
	Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards — Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

4. Summary of material accounting policies

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”).

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- (a) Financial assets at fair value through profit or loss (“FVTPL”) are measured at fair value;

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

- (b) Financial assets at fair value through other comprehensive income (“FVOCI”) are measured at fair value; and
- (c) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (“NTD”), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. The Company ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

B. List of subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2024	December 31, 2023	
The Company	Alvogen Korea Holdings Ltd. (“Alvogen Korea Holdings”)	Investment business	100.00 %	100.00 %	
The Company	Alvogen Pharma India Pvt Ltd. (“Alvogen India”)	Investment business	100.00 %	100.00 %	
The Company	Lotus International Pte. Ltd.	Investment business and sale of medicine	100.00 %	100.00 %	
The Company	Lotus Japan Holdings Co., Ltd.	Sale of medicine and clinical machine retail	100.00 %	100.00 %	

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Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2024	December 31, 2023	
The Company	Avos Pharma Science Co., Ltd.	Biotech technological consulting services, clinical machine retail and related consulting services	100.00 %	100.00 %	
The Company	Lotus Pharmaceutical, HK Ltd.	Data collection and agent services in Hong Kong	1.56 %	1.56 %	
The Company	Alvogen (Thailand) Ltd.	Sale of pharmaceuticals and medicinal chemical products	2.52 %	2.52 %	
The Company	Teva Pharma (Thailand) Co., Ltd.	Sale of pharmaceuticals and medicinal chemical products	90.00 %	-	(Note)
Alvogen Korea Holdings	Alvogen Korea Co., Ltd. (“Alvogen Korea”)	Manufactures and sells medicines	100.00 %	100.00 %	
Alvogen India	Norwich Clinical Services Private Limited (“NCS”)	Contract research organization	100.00 %	100.00 %	
Lotus Pharmaceutical, HK Ltd.	Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited	Consultation on health management, health technology, trading information, market planning, and business information	100.00 %	100.00 %	
Lotus Pharmaceutical, HK Ltd.	Alvogen (Thailand) Ltd.	Sale of pharmaceuticals and medicinal chemical products	0.03 %	0.03 %	
Lotus International Pte. Ltd.	Lotus Support Services SRL	Pharmaceutical regulatory affairs project management services	100.00 %	100.00 %	
Lotus International Pte. Ltd.	Alvogen (Thailand) Ltd.	Sale of pharmaceuticals and medicinal chemical products	97.45 %	97.45 %	
Lotus International Pte. Ltd.	Lotus Alvogen Malta Ltd.	Sale of pharmaceuticals and medicinal chemical products and related consulting services	100.00 %	100.00 %	
Lotus International Pte. Ltd.	Lotus Pharmaceutical, HK Ltd.	Data collection and agent services in Hong Kong	98.44 %	98.44 %	
Lotus International Pte. Ltd.	Lotus Healthcare Malaysia Sdn. Bhd.	Marketing activities and healthcare consultancy	100.00 %	100.00 %	
Lotus International Pte. Ltd.	Lotus Healthcare Philippines Corp.	Marketing activities and healthcare consultancy	100.00 %	100.00 %	
Lotus International Pte. Ltd.	Lotus Pharma Bulgaria EOOD	Marketing activities and healthcare consultancy	100.00 %	100.00 %	

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2024	December 31, 2023	
Lotus International Pte. Ltd.	Lotus Pharma ehf.	Marketing activities and healthcare consultancy	100.00 %	100.00 %	
Lotus International Pte. Ltd.	Meishi Pharma Services Private Limited	Management consultancy service	100.00 %	100.00 %	
Lotus International Pte. Ltd.	Meishi Pharma Service Pte. Ltd.	Management consultancy service	100.00 %	100.00 %	
Lotus International Pte. Ltd.	Teva Pharma (Thailand) Co., Ltd.	Sale of pharmaceuticals and medicinal chemical products	10.00 %	-	(Note)

Note: On August 1, 2024, the Company and its subsidiary, Lotus International Pte. Ltd., completed the acquisition of 100% equity interest in Teva Pharma (Thailand) Co., Ltd. Please refer to note 6(6) for more details.

C. List of subsidiaries not included in the consolidated financial statements: None.

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of entities within the Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at FVOCI, which are recognized in other comprehensive income.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into NTD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into NTD at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(5) Classification of current and non-current assets and liabilities

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. It holds the asset primarily for the purpose of trading;
- C. It expects to realize the asset within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- D. It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(7) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

On initial recognition, a financial asset is classified as measured at amortized cost, at FVOCI, or at FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting date following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investment at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(c) FVTPL

All financial assets not classified as amortized cost or FVOCI described above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend or interest income, are recognized in profit or loss.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
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(d) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (“ECL”) on financial assets measured at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits, long-term accounts receivable, other financial assets and contract assets.

ECL are a probability-weighted estimates of credit losses.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the financial instrument that is determined to have low credit risk at the reporting date and the credit risk thereof has not increased significantly since initial recognition, which are measured as 12-month ECL. Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment as well as forward-looking information.

The Group considers the credit risk of a financial asset has significantly increased, or to be in default when the financial asset is past due or the debtor is unlikely to pay its credit obligations to the Group in full.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

(e) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) Financial liabilities

Financial liabilities are classified as measured at amortized cost or at FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(e) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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Notes to the Consolidated Financial Statements

(f) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a) Buildings and plant equipment	3~50 years
(b) Machinery and experiment equipment	2~10 years
(c) Miscellaneous equipment	2~10 years
(d) Leasehold improvements	1~10 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(11) Leases

A. Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

B. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;

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- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (e) there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(12) Intangible assets

A. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units, or "CGU") that is expected to benefit from the synergies of the combination.

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A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication of unit impairment, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a CGU was acquired in a business combination during the current annual period, that unit should be tested for impairment before the end of the current annual period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a CGU and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

B. Other intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting date, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

C. Capitalization of development expenses

Expenditure for generics research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from the development phase is capitalized as an intangible asset only if all of the following have been demonstrated:

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

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The amount initially capitalized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above and the Group has evidence to prove that will get regulatory approval for these assets. Payments made to third parties to in-license or acquire the intellectual property rights to a drug in development or where further development work is needed, including initial upfront and subsequent milestone payments, are also capitalized. These capitalized intangible assets are not amortized, however, are evaluated for potential impairment on an annual basis or more frequently when there is an indication of impairment. Subsequent to initial recognition, these assets are measured at cost less accumulated impairment loss.

Capitalization of development expenses are reclassified to product rights once the economic benefits of the assets begin to be consumed and the related revenues are recorded.

D. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Acquired brand has an indefinite useful life and is not amortized.

The estimated useful lives for current and comparative periods are as follows:

(a) Product rights	5~10 years
(b) In-process R & D	15 years
(c) Customer relationship	11 years
(d) Others	1~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Other long-term employee benefits are recognized in accordance with actuarial amounts. Actuarial gains and losses are recognized in profit or loss immediately.

(15) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

A. Sale of goods

Revenue from sale of goods comes from sales of generic and branded pharmaceutical drugs, which are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, and has the primary responsibility for sales to future customers. Accounts receivable is recognized concurrently or contract asset is recognized concurrently. Any amount previously recognized as a contract asset is reclassified to accounts receivable when the remaining obligation is performed.

B. Revenue from the sale or out-licensing of intellectual property ("IP") rights

Revenue from the sale or out-licensing of IP rights is recognized upon assignment of such rights to a third party, provided the collectability is assured and there are no distinct future performance obligations related to such rights, except for the on-going de minimis assistance, if any, provided to the third party with respect to the maintenance of such rights. Milestone income from the out-licensing of IP rights is recognized at the point in time when it is highly probable that the relevant milestone event criteria is met, and the risk of reversal of revenue recognition is remote.

C. Revenue from rendering of services and others

Revenue from contracts to provide services, such as research and development activities, is recognized when services rendered met the contracts' conditions.

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D. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in retained earnings, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as defined benefit plan except that remeasurement is recognized in profit or loss in the period in which they arise.

D. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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(17) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the Group informs its employee of the exercise price and number of exercised shares.

(18) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(19) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as restricted stock awards issued and remuneration to employees.

(20) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(9) for further description of the impairment assessment of goodwill.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand and demand deposits	\$ 6,030,113	1,770,880

(2) Financial asset at FVTPL

	December 31, 2024	December 31, 2023
Financial asset mandatorily measured at FVTPL:		
Foreign preferred stock—New Alvogen Group Holding Inc.	\$ 3,188,859	2,584,701

For the information of fair value of financial instruments, please refer to note 6(24)D.

(3) Financial asset at FVOCI

	December 31, 2024	December 31, 2023
Financial asset at FVOCI:		
Foreign listed stock—Fuji Pharma Co., Ltd.	\$ 405,177	463,611

A. The Group designated above investment as financial asset at FVOCI because it intends to hold the investment for long-term strategic purposes.

B. During the years ended December 31, 2024 and 2023, dividends of \$11,274 and \$10,023, respectively, relating to the above investment were recognized.

C. There was no disposal of the above investment nor transfer of any cumulative gain or loss within equity relating to the above investment for the years ended December 31, 2024 and 2023.

(4) Accounts receivable, net

	December 31, 2024	December 31, 2023
Accounts receivable	\$ 1,991,139	1,690,794
Less: Expected credit loss allowance	(38,628)	(41,851)
	\$ 1,952,511	1,648,943

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The Group applies the simplified approach to measure the expected credit loss allowance, which uses lifetime expected loss provision for all accounts receivable. To measure the expected credit losses, accounts receivable are grouped based on shared credit risk characteristics and the days past due.

The expected credit loss allowances were determined as follows:

December 31, 2024			
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
<u>Group 1</u>			
Current	\$ 1,222,160	- %	39
1 to 60 days past due	56,810	2.33 %	1,324
61 to 90 days past due	3,682	46.61 %	1,716
91 to 120 days past due	15	6.67 %	1
151 to 180 days past due	2,560	93.16 %	2,385
181 to 360 days past due	3,420	99.97 %	3,419
More than 360 days past due	29,744	100.00 %	29,744
	<u>\$ 1,318,391</u>		<u>38,628</u>
<u>Group 2</u>			
Current	<u>\$ 672,748</u>	- %	<u>-</u>
December 31, 2023			
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
<u>Group 1</u>			
Current	\$ 1,026,785	0.88 %	9,005
1 to 60 days past due	39,143	3.02 %	1,182
61 to 90 days past due	1,800	23.21 %	418
91 to 120 days past due	1,067	10.23 %	109
121 to 150 days past due	7	21.46 %	1
151 to 180 days past due	103	96.29 %	99
181 to 360 days past due	1,194	99.50 %	1,188
More than 360 days past due	29,849	100.00 %	29,849
	<u>\$ 1,099,948</u>		<u>41,851</u>
<u>Group 2</u>			
Current	<u>\$ 590,846</u>	- %	<u>-</u>

Group 1: Customer of general risk.

Group 2: Customer of low risk.

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The movement in the expected credit loss allowance was as follows:

	<u>2024</u>	<u>2023</u>
Balance at January 1	\$ 41,851	46,433
Expected credit loss reversed	(2,961)	(4,037)
Amounts written off	(66)	(583)
Effect of exchange rate changes	(196)	38
Balance at December 31	<u>\$ 38,628</u>	<u>41,851</u>

(5) Inventories

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Raw materials	\$ 1,098,892	1,066,708
Work in progress	607,228	478,745
Finished goods and merchandise	1,931,064	1,955,378
Inventory in transit	196,147	274,549
	<u>\$ 3,833,331</u>	<u>3,775,380</u>

For the years ended December 31, 2024 and 2023, write-downs of inventories to net realizable value in the amount of \$191,690 and \$169,288, respectively, were included in the cost of sales.

As of December 31, 2024 and 2023, none of the inventories were pledged as collateral.

(6) Acquisition of subsidiary

On June 6, 2024, to diversify product portfolio and expand the Group's business in Thailand, the Company and its subsidiary, Lotus International Pte. Ltd., entered into a Share Purchase Agreement with Actavis Holding Asia B.V., Actavis Group PTC EHF and Actavis Dutch Holdings B.V. for the acquisition of 90% and 10% equity interest, respectively, in Teva Pharma (Thailand) Co., Ltd. The purchase price for the acquisition was amounting to USD 46,276 thousand (\$1,520,769). The business combination was consummated on August 1, 2024.

For the five months ended December 31, 2024, Teva Pharma (Thailand) Co., Ltd. contributed revenue of \$344,101 and profit of \$16,831 to the Group's results. If the acquisition had occurred on January, 2024, management estimates that consolidated revenue would have been \$18,948,392, and consolidated profit would have been \$5,118,565. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2024.

The Group incurred the acquisition related costs of \$6,713 on legal fees and due diligence costs. These costs have been included in operating expenses in the consolidated statements of comprehensive income.

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- A. The fair value of identifiable net assets acquired, and liabilities assumed at the acquisition date were as follows:

Cash and cash equivalents	\$ 279,147
Accounts receivable, net	160,419
Inventories and other current assets	190,096
Property, plant and equipment	16,882
Other intangible assets	423,893
Other non-current assets	8,693
Accounts payable and other current liabilities	(104,673)
Deferred tax liabilities	(84,539)
Defined benefit liabilities, net	(13,586)
Fair value of identifiable net assets	<u><u>\$ 876,332</u></u>

- B. Goodwill

Goodwill arising from the acquisition has been recognized as follows.

Consideration transferred	\$ 1,520,769
Less: Fair value of identifiable net assets	<u>(876,332)</u>
Goodwill	<u><u>\$ 644,437</u></u>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating Teva Pharma (Thailand) Co., Ltd. with the Group's existing business in Thailand. None of the goodwill recognized is expected to be deductible for tax purposes.

(7) Property, plant and equipment

The movement in the property, plant and equipment of the Group for the years ended December 31, 2024 and 2023, was as follows:

		Land	Buildings and plant equipment	Machinery and experiment equipment	Miscellaneous equipment	Construction in progress and inspection equipment	Leasehold improvements	Total
Cost:								
Balance at January 1, 2024	\$	622,554	1,888,089	1,634,061	192,276	639,408	71,006	5,047,394
Acquired through a business combination		-	-	-	754	-	16,128	16,882
Additions		-	26,238	9,462	9,627	367,840	1,425	414,592
Disposals		-	(2,540)	(20,622)	(5,254)	-	(5,092)	(33,508)
Reclassification		-	199,721	68,153	19,931	(300,621)	12,816	-
Effect of exchange rate changes		(23,221)	(37,930)	(39,268)	(4,109)	(250)	3,863	(100,915)
Balance at December 31, 2024	\$	<u><u>599,333</u></u>	<u><u>2,073,578</u></u>	<u><u>1,651,786</u></u>	<u><u>213,225</u></u>	<u><u>706,377</u></u>	<u><u>100,146</u></u>	<u><u>5,344,445</u></u>

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		Land	Buildings and plant equipment	Machinery and experiment equipment	Miscellaneous equipment	Construction in progress and inspection equipment	Leasehold improvements	Total
Balance at January 1, 2023	\$	622,305	1,384,175	1,376,413	170,484	1,077,308	87,873	4,718,558
Additions		-	35,173	51,332	14,755	325,058	4,564	430,882
Disposals		-	(1,207)	(53,062)	(14,052)	-	(36,481)	(104,802)
Reclassification		-	469,431	258,358	20,677	(762,875)	14,409	-
Effect of exchange rate changes		249	517	1,020	412	(83)	641	2,756
Balance at December 31, 2023	\$	<u>622,554</u>	<u>1,888,089</u>	<u>1,634,061</u>	<u>192,276</u>	<u>639,408</u>	<u>71,006</u>	<u>5,047,394</u>
Accumulated depreciation:								
Balance at January 1, 2024	\$	-	623,921	985,131	133,060	-	47,484	1,789,596
Depreciation		-	60,108	146,185	25,136	-	13,275	244,704
Disposals		-	(2,528)	(19,862)	(4,872)	-	(4,992)	(32,254)
Effect of exchange rate changes		-	(24,379)	(28,519)	(3,348)	-	3,285	(52,961)
Balance at December 31, 2024	\$	<u>-</u>	<u>657,122</u>	<u>1,082,935</u>	<u>149,976</u>	<u>-</u>	<u>59,052</u>	<u>1,949,085</u>
Balance at January 1, 2023	\$	-	575,566	894,895	129,850	-	71,520	1,671,831
Depreciation		-	49,133	118,270	16,798	-	10,410	194,611
Disposals		-	(1,154)	(28,892)	(13,860)	-	(34,897)	(78,803)
Effect of exchange rate changes		-	376	858	272	-	451	1,957
Balance at December 31, 2023	\$	<u>-</u>	<u>623,921</u>	<u>985,131</u>	<u>133,060</u>	<u>-</u>	<u>47,484</u>	<u>1,789,596</u>
Carrying amounts:								
Balance at December 31, 2024	\$	<u>599,333</u>	<u>1,416,456</u>	<u>568,851</u>	<u>63,249</u>	<u>706,377</u>	<u>41,094</u>	<u>3,395,360</u>
Balance at January 1, 2023	\$	<u>622,305</u>	<u>808,609</u>	<u>481,518</u>	<u>40,634</u>	<u>1,077,308</u>	<u>16,353</u>	<u>3,046,727</u>
Balance at December 31, 2023	\$	<u>622,554</u>	<u>1,264,168</u>	<u>648,930</u>	<u>59,216</u>	<u>639,408</u>	<u>23,522</u>	<u>3,257,798</u>

Please refer to note 6(6) of the acquired assets through a business combination for further details.

As of December 31, 2024 and 2023, certain property, plant and equipment were pledged as collateral; please refer to note 8.

(8) Right-of-use assets

The Group leases certain buildings, office equipment and vehicles. The movement in the leases for the years ended December 31, 2024 and 2023, which the Group is a lessee, was as follows:

		Buildings	Office equipment	Vehicles	Total
Cost:					
Balance at January 1, 2024	\$	450,370	30,472	18,004	498,846
Additions		139,434	7,906	5,768	153,108
Disposals		(158,382)	(1,704)	(5,574)	(165,660)
Effect of exchange rate changes		(6,644)	(870)	(165)	(7,679)
Balance at December 31, 2024	\$	<u>424,778</u>	<u>35,804</u>	<u>18,033</u>	<u>478,615</u>

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	Buildings	Office equipment	Vehicles	Total
Balance at January 1, 2023	\$ 260,249	19,890	17,571	297,710
Additions	246,408	13,362	6,571	266,341
Disposals	(55,933)	(2,752)	(6,242)	(64,927)
Effect of exchange rate changes	(354)	(28)	104	(278)
Balance at December 31, 2023	<u>\$ 450,370</u>	<u>30,472</u>	<u>18,004</u>	<u>498,846</u>
Accumulated depreciation:				
Balance at January 1, 2024	\$ 228,427	8,858	8,142	245,427
Depreciation	106,497	8,497	6,700	121,694
Disposals	(151,085)	(1,121)	(4,857)	(157,063)
Effect of exchange rate changes	(1,954)	(301)	(159)	(2,414)
Balance at December 31, 2024	<u>\$ 181,885</u>	<u>15,933</u>	<u>9,826</u>	<u>207,644</u>
Balance at January 1, 2023	\$ 185,114	4,257	6,823	196,194
Depreciation	98,321	6,973	6,660	111,954
Disposals	(55,415)	(2,388)	(5,420)	(63,223)
Effect of exchange rate changes	407	16	79	502
Balance at December 31, 2023	<u>\$ 228,427</u>	<u>8,858</u>	<u>8,142</u>	<u>245,427</u>
Carrying amounts:				
Balance at December 31, 2024	<u>\$ 242,893</u>	<u>19,871</u>	<u>8,207</u>	<u>270,971</u>
Balance at January 1, 2023	<u>\$ 75,135</u>	<u>15,633</u>	<u>10,748</u>	<u>101,516</u>
Balance at December 31, 2023	<u>\$ 221,943</u>	<u>21,614</u>	<u>9,862</u>	<u>253,419</u>

(9) Goodwill

The movement in the goodwill of the Group for the years ended December 31, 2024 and 2023, was as follows:

	2024	2023
Cost:		
Balance at January 1	\$ 5,743,621	5,741,605
Acquired through a business combination	644,437	-
Effect of exchange rate changes	(187,537)	2,016
Balance at December 31	<u>\$ 6,200,521</u>	<u>5,743,621</u>
Accumulated impairment:		
Balance as of January 1 and December 31	<u>\$ 74,000</u>	<u>74,000</u>
Carrying amounts:		
Balance at December 31, 2024	<u>\$ 6,126,521</u>	
Balance at January 1, 2023	<u>\$ 5,667,605</u>	
Balance at December 31, 2023	<u>\$ 5,669,621</u>	

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Goodwill arose from the reverse acquisition of the Company on August 11, 2014, Alvogen Korea's acquisition of Dream Pharmaceutical Co., Ltd. ("Dream Pharma") on December 19, 2014 and the Company's acquisition of Teva Pharma (Thailand) Co., Ltd. on August 1, 2024. For the purposes of impairment testing, goodwill has been allocated to the appropriate CGUs. The net carrying amount of goodwill allocated to each appropriate CGU was as follows:

	December 31, 2024	December 31, 2023
Taiwan and other countries	\$ 2,751,254	2,751,254
South Korea	2,730,830	2,918,367
Thailand	644,437	-
	<u>\$ 6,126,521</u>	<u>5,669,621</u>

Please refer to note 6(6) of the acquired assets through a business combination for further details.

The recoverable amount of the CGUs was calculated by applying an appropriate discount rate to future cash flows estimated based on the financial budgets approved by management for a certain target period. As of December 31, 2024 and 2023, the discount rates used to determine the future cash flows were 7.11%~14.30% and 7.47%~16.09%, respectively. Other key assumptions included budgeted revenue and budgeted gross margin. Such assumptions were based on past performance of the CGUs and management's expectation of market developments. Based on the impairment testing for the years ended December 31, 2024 and 2023, no impairment loss was recognized.

(10) Other intangible assets

The movement in the intangible assets of the Group for the years ended December 31, 2024 and 2023, was as follows:

	Product Rights	Brand	In- process R&D	Capitali- zation of Develop- ment Expenses	Customer Relationship	Others	Total
Cost:							
Balance at January 1, 2024	\$ 8,375,871	679,671	324,525	2,623,324	-	367,639	12,371,030
Acquired through a business combination	-	-	-	-	362,708	61,185	423,893
Additions	34,580	-	-	1,118,651	-	1,635	1,154,866
Disposals	-	-	-	-	-	(227)	(227)
Reclassification	208,766	-	-	(208,766)	-	-	-
Effect of exchange rate changes	(56,816)	(43,676)	(20,854)	3,892	-	(13,955)	(131,409)
Balance at December 31, 2024	<u>\$ 8,562,401</u>	<u>635,995</u>	<u>303,671</u>	<u>3,537,101</u>	<u>362,708</u>	<u>416,277</u>	<u>13,818,153</u>
Balance at January 1, 2023	\$ 7,978,365	679,201	324,301	1,971,317	-	293,863	11,247,047
Additions	32,427	-	-	1,013,276	-	73,437	1,119,140
Disposals	(18,087)	-	-	-	-	-	(18,087)
Reclassification	378,730	-	-	(378,730)	-	-	-
Effect of exchange rate changes	4,436	470	224	17,461	-	339	22,930
Balance at December 31, 2023	<u>\$ 8,375,871</u>	<u>679,671</u>	<u>324,525</u>	<u>2,623,324</u>	<u>-</u>	<u>367,639</u>	<u>12,371,030</u>

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	Product Rights	Brand	In-process R&D	Capitalization of Development Expenses	Customer Relationship	Others	Total
Accumulated amortization and impairment loss:							
Balance at January 1, 2024	\$ 3,193,437	539,461	265,014	745,097	-	263,026	5,006,035
Amortization	859,344	-	10,125	-	13,237	34,149	916,855
Impairment loss	-	-	-	159,991	-	-	159,991
Disposals	-	-	-	-	-	(170)	(170)
Effect of exchange rate changes	(31,027)	(34,666)	(17,509)	(7,105)	-	(12,336)	(102,643)
Balance at December 31, 2024	<u>\$ 4,021,754</u>	<u>504,795</u>	<u>257,630</u>	<u>897,983</u>	<u>13,237</u>	<u>284,669</u>	<u>5,980,068</u>
Balance at January 1, 2023	\$ 2,333,284	539,088	254,531	565,648	-	239,123	3,931,674
Amortization	870,315	-	10,226	-	-	23,533	904,074
Impairment loss	-	-	-	179,368	-	-	179,368
Disposals	(18,087)	-	-	-	-	-	(18,087)
Effect of exchange rate changes	7,925	373	257	81	-	370	9,006
Balance at December 31, 2023	<u>\$ 3,193,437</u>	<u>539,461</u>	<u>265,014</u>	<u>745,097</u>	<u>-</u>	<u>263,026</u>	<u>5,006,035</u>
Carrying amounts:							
Balance at December 31, 2024	<u>\$ 4,540,647</u>	<u>131,200</u>	<u>46,041</u>	<u>2,639,118</u>	<u>349,471</u>	<u>131,608</u>	<u>7,838,085</u>
Balance at January 1, 2023	<u>\$ 5,645,081</u>	<u>140,113</u>	<u>69,770</u>	<u>1,405,669</u>	<u>-</u>	<u>54,740</u>	<u>7,315,373</u>
Balance at December 31, 2023	<u>\$ 5,182,434</u>	<u>140,210</u>	<u>59,511</u>	<u>1,878,227</u>	<u>-</u>	<u>104,613</u>	<u>7,364,995</u>

Impairment losses on intangible assets recognized for the years ended December 31, 2024 and 2023, were as follows:

Item	Operating expenses	For the years ended December 31,	
		2024	2023
Capitalization of development expenses	Research and development expenses	<u>\$ 159,991</u>	<u>179,368</u>

Please refer to note 6(6) of the acquired assets through a business combination for further details.

(11) Long-term accounts receivable

The long-term accounts receivable were summarized as follows:

	December 31, 2024	December 31, 2023
Long-term accounts receivable	\$ 193,668	215,966
Less: Discount	(25,470)	(27,369)
	168,198	188,597
Less: Current portion (classified as accounts receivable, net)	(45,470)	(35,994)
Total	<u>\$ 122,728</u>	<u>152,603</u>

In the first quarter of 2024, the Group entered into an agreement with a third-party distributor for a total consideration of KRW 3.15 billion (\$70,731), payable in equal instalments over six years from 2024 to 2029. The Group recognized related income amounting to \$63,901 in net revenue in the first quarter of 2024.

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In the third quarter of 2023, the Court issued final judgment requiring a third-party distributor to pay KRW 9 billion (\$202,088) in compensation, payable in equal instalments over six years from 2023 to 2028. The Group recognized related income amounting to \$185,521 in net revenue in the third quarter of 2023.

As of December 31, 2024 and 2023, no expected credit loss was recognized.

(12) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2024	December 31, 2023
Unsecured bank loans	<u>\$ 1,614,619</u>	<u>510,000</u>
Unused credit line	<u>\$ 352,579</u>	<u>187,974</u>
Range of interest rates	<u>1.99%~4.64%</u>	<u>2.00%~2.28%</u>

(13) Long-term borrowings

The long-term borrowings were summarized as follows:

	December 31, 2024	December 31, 2023
Unsecured bank loans	\$ 224,543	431,933
Secured bank loans	10,884,020	9,567,508
Secured loans from other financial institutions	664,944	822,908
	11,773,507	10,822,349
Less: Current portion	(3,389,979)	(1,302,963)
Total	<u>\$ 8,383,528</u>	<u>9,519,386</u>
Unused credit line	<u>\$ 3,986,000</u>	<u>6,120,000</u>
Range of maturity period (year/month)	<u>2025/04~2026/10</u>	<u>2024/10~2026/10</u>
Range of interest rates	<u>2.91%~6.51%</u>	<u>3.41%~7.78%</u>

In 2023, the Company made early repayment of existing facilities, including two syndicated loan facilities and one bilateral facility, and in September 2023, entered into a new syndicated loan facility in an aggregate amount of \$15,000,000 equivalent with the banks led by CTBC. Pursuant to the terms set forth in the loan agreement, the loan contained covenants stating that (i) the net leverage ratio of the Group shall not exceed 3.5 times and the net leverage ratio of the Group (excluding subsidiaries in Korea) shall not exceed 3.25 times, and (ii) interest cover ratio of the Group must exceed 3 times.

In October 2023, the Group's subsidiary in Korea entered into a new syndicated loan facility in an aggregate amount of KRW 70 billion (\$1,571,797) with the banks led by Shinhan Bank and made early repayment on existing syndicated loan facility. Pursuant to the terms set forth in the loan agreement, the net leverage ratio of Alvogen Korea must be less than 3.5 times.

The Group complied with the abovementioned financial covenants as of December 31, 2024.

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For the years ended December 31, 2024 and 2023, the Group incurred losses due to early repayment of loans amounting to \$911 and \$103,794, respectively.

For assets pledged as collateral for aforementioned long-term borrowings, please refer to note 8.

(14) Lease liabilities — current and non-current

The carrying amounts of the lease liabilities were as follows:

	December 31, 2024	December 31, 2023
Current	\$ 84,315	70,240
Non-current	\$ 194,063	182,200

Please refer to note 6(24) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	For the years ended December 31, 2024	2023
Interest expenses on lease liabilities	\$ 18,615	11,902
Expenses relating to short-term leases	\$ 14,688	11,462
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 889	1,252

The amounts recognized in the statements of cash flows for the Group were as follows:

	For the years ended December 31, 2024	2023
Total cash outflow for leases	\$ 146,375	132,338

A. Real estate leases

The Group leases buildings for its office space and residential property. The leases typically run for a period of one to ten years. Certain leases include an option to renew the lease for an additional period after the end of the contract term.

Certain leases also require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

B. Other leases

The Group leases transportation and office equipment with contract terms of one to five years. In certain cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

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Certain of the transportation and office equipment leases are short-term or for low-value items. The Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(15) Provisions—current and non-current

	Estimated return of goods	Restoration	Employee benefit obligations	Total
Balance at January 1, 2024	\$ 31,290	5,443	22,934	59,667
Assumed in a business combination	5,993	5,149	-	11,142
Provisions made	23,502	188	18,405	42,095
Provisions used	(15,644)	-	(7,262)	(22,906)
Effect of exchange rate changes	(1,767)	(35)	(1,765)	(3,567)
Balance at December 31, 2024	43,374	10,745	32,312	86,431
Less: current	(43,374)	(5,472)	-	(48,846)
Non-current	<u>\$ -</u>	<u>5,273</u>	<u>32,312</u>	<u>37,585</u>
Balance at January 1, 2023	\$ 29,357	11,101	19,597	60,055
Provisions made	4,203	8,063	7,890	20,156
Provisions used	(2,210)	(13,887)	(4,621)	(20,718)
Effect of exchange rate changes	(60)	166	68	174
Balance at December 31, 2023	31,290	5,443	22,934	59,667
Less: current	(31,290)	-	(960)	(32,250)
Non-current	<u>\$ -</u>	<u>5,443</u>	<u>21,974</u>	<u>27,417</u>

(16) Employee benefits

A. Defined benefit plans

The present value of the defined benefit obligation and the fair value of plan assets for the Group were as follows:

	December 31, 2024	December 31, 2023
Present value of the defined benefit obligation	\$ 1,256,012	1,123,567
Fair value of plan assets	(614,804)	(642,265)
Net defined benefit liabilities	<u>\$ 641,208</u>	<u>481,302</u>

The Company deposits defined benefit plan contributions to the pension fund account with the Bank of Taiwan that provides pensions for employees upon retirement. The plan (covered by the Labor Standards Law) entitles a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

Foreign subsidiaries within the Group, including Alvogen Korea Holdings, Alvogen Korea, Alvogen India, NCS, Alvogen (Thailand) Ltd. and Teva Pharma (Thailand) Co., Ltd. have also established defined benefit pension plans providing for retirement benefits to qualified employees in accordance with the regulations in respective countries.

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(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

(b) Present value of the defined benefit obligation

	2024	2023
Balance at January 1	\$ 1,123,567	958,249
Current service costs and interest	155,390	148,944
Remeasurement		
— Actuarial loss (gain) arising from changes in demographic assumptions	13,236	(247)
— Actuarial loss arising from experience adjustments	27,479	3,176
— Actuarial loss arising from changes in financial assumptions	55,310	43,612
Other	(177)	(640)
Benefits paid from plan assets and directly by the Group	(58,758)	(30,806)
The effects of business combination	13,586	-
Effect of exchange rate changes	(73,621)	1,279
Balance at December 31	<u><u>\$ 1,256,012</u></u>	<u><u>1,123,567</u></u>

About the information of business combination, please refer to Note 6(6).

(c) Fair value of the defined benefit plan assets

	2024	2023
Balance at January 1	\$ (642,265)	(604,981)
Interest income	(24,251)	(28,789)
Remeasurement		
— Loss (return) on plan assets (excluding current interest)	587	(9,799)
Contributions paid by the employer	(5,906)	(1,719)
Benefits paid from plan assets	16,923	3,555
Effect of exchange rate changes	40,108	(532)
Balance at December 31	<u><u>\$ (614,804)</u></u>	<u><u>(642,265)</u></u>

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(d) Expenses recognized in profit or loss

	For the years ended December 31,	
	2024	2023
Current service costs	\$ 108,267	102,240
Net interest on the net defined benefit liabilities	22,872	17,915
Others	(177)	(640)
	\$ 130,962	119,515
Cost of sales	\$ 36,392	34,254
Selling expenses	69,896	61,681
Administration expenses	15,512	16,563
Research and development expenses	8,712	6,427
Capitalized development expenses	450	590
	\$ 130,962	119,515

(e) Actuarial assumptions

The following table shows the Group's significant actuarial assumptions of the present value of the defined benefit obligation at the reporting date:

	December 31, 2024	December 31, 2023
Discount rate	1.50%~7.04%	1.25%~7.39%
Future salary increase rate	3.50%~13.16%	3.50%~13.16%

The Group expects to contribute \$152,863 to the defined benefit plans in 2025.

The weighted-average duration of the defined benefit obligation was 7.40 years.

(f) Sensitivity analysis

If there is a change in the actuarial assumptions as of December 31, 2024 and 2023 the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligations	
	Increased	Decreased
Balance at December 31, 2024		
Discount rate (1.00% movement)	\$ (87,800)	98,874
Future salary increase rate (1.00% movement)	95,875	(86,964)
Balance at December 31, 2023		
Discount rate (1.00% movement)	(66,926)	75,021
Future salary increase rate (1.00% movement)	73,684	(67,068)

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Reasonably possible changes to one of the relevant actuarial assumptions on the reporting date, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other.

The approach used in recognizing the net defined liability in the balance sheets is the same as the one used in developing the sensitivity analysis and the relevant actuarial assumptions in the current and previous years.

B. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company contributes 6% of its employees' monthly wages to their labor pension personal accounts of the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance).

Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

Foreign subsidiaries within the Group have also set up defined contribution plans, as necessary, in accordance with the regulations in respective countries.

The total pension costs under the defined contribution plans were \$54,438 and \$44,094 for the years ended December 31, 2024 and 2023, respectively.

(17) Income tax

A. Income tax expense

The components of income tax for the years ended December 31, 2024 and 2023 were as follows:

	For the years ended December 31,	
	2024	2023
Current tax expense		
Current year	\$ 1,038,579	796,133
Adjustments in respect of prior years	(58,903)	(59,516)
Unappropriated earnings tax	76,186	-
	<u>1,055,862</u>	<u>736,617</u>
Deferred tax expense		
Current year	227,687	256,231
Adjustments in respect of prior year	10,519	8,890
Effect of tax rate change	-	(4,439)
	<u>238,206</u>	<u>260,682</u>
Income tax expense	<u><u>\$ 1,294,068</u></u>	<u><u>997,299</u></u>

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Reconciliation of income tax expenses and income before income tax for the years ended December 31, 2024 and 2023 was as follows:

	2024	2023
Income before income tax	\$ <u>6,359,578</u>	<u>5,102,925</u>
Income tax at statutory tax rate of each jurisdiction	1,197,965	958,144
Changes in unrecognized deductible temporary differences and loss carryforwards	7,420	55,938
Permanent differences (including non-deductible expenses)	66,575	45,677
Investment tax credits	(1,402)	(970)
Adjustments in respect of prior years	(48,384)	(50,626)
Unappropriated earnings tax	76,186	-
Effect of tax rate change	-	(4,439)
Other	(4,292)	(6,425)
	<u><u>\$ 1,294,068</u></u>	<u><u>997,299</u></u>

The corporate income tax rate used by the Company is 20%. The applicable tax rate for subsidiaries in Korea changed from 22% to 23.1% in 2023.

B. Deferred tax assets and liabilities

(a) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2024 and 2023 were as follows:

Deferred tax assets:

	January 1, 2024	Recognized in income statement	Recognized in other comprehensive income	Acquisition of subsidiary	Effect of exchange rate changes	December 31, 2024
Defined benefit obligation	\$ 104,917	20,910	22,807	-	(7,187)	141,447
Inventories	33,597	20,689	-	-	(775)	53,511
Provisions	12,148	4,518	-	-	(865)	15,801
Property, plant and equipment	5,892	36	-	-	132	6,060
Intangible assets	133,695	11,033	-	-	1,893	146,621
Loss carryforwards	3,686	1,959	-	-	245	5,890
Deferred profit of upstream transaction	52,215	(1,201)	-	-	-	51,014
Others	65,537	(2,956)	-	5,871	(2,373)	66,079
	<u><u>\$ 411,687</u></u>	<u><u>54,988</u></u>	<u><u>22,807</u></u>	<u><u>5,871</u></u>	<u><u>(8,930)</u></u>	<u><u>486,423</u></u>

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	January 1, 2023	Recognized in income statement	Recognized in other comprehensive income	Effect of exchange rate changes	December 31, 2023
Defined benefit obligation	\$ 73,541	23,455	7,575	346	104,917
Inventories	23,153	10,387	-	57	33,597
Provisions	10,669	1,463	-	16	12,148
Property, plant and equipment	6,508	(659)	-	43	5,892
Intangible assets	128,885	3,730	-	1,080	133,695
Loss carryforwards	2,934	712	-	40	3,686
Deferred profit of upstream transaction	59,886	(7,671)	-	-	52,215
Others	84,543	(19,224)	213	5	65,537
	<u>\$ 390,119</u>	<u>12,193</u>	<u>7,788</u>	<u>1,587</u>	<u>411,687</u>

Deferred tax liabilities:

	January 1, 2024	Recognized in income statement	Recognized in other comprehensive income	Acquisition of subsidiary	Effect of exchange rate changes	December 31, 2024
Property, plant and equipment	\$ 10,730	(2,730)	-	-	(761)	7,239
Intangible assets - acquisition of Subsidiaries	76,001	24,531	-	84,539	(3,935)	181,136
Unrealized gains on FVTPL	200,372	120,831	-	-	-	321,203
Capitalization of development expenses	383,641	155,081	-	-	-	538,722
Others	50,455	(4,519)	-	-	(1,487)	44,449
	<u>\$ 721,199</u>	<u>293,194</u>	<u>-</u>	<u>84,539</u>	<u>(6,183)</u>	<u>1,092,749</u>

	January 1, 2023	Recognized in income statement	Recognized in other comprehensive income	Effect of exchange rate changes	December 31, 2023
Property, plant and equipment	\$ 6,843	3,855	-	32	10,730
Intangible assets - acquisition of Dream Pharma	70,043	5,907	-	51	76,001
Unrealized gains on FVTPL	57,362	143,010	-	-	200,372
Capitalization of development expenses	277,749	105,892	-	-	383,641
Others	36,400	14,211	-	(156)	50,455
	<u>\$ 448,397</u>	<u>272,875</u>	<u>-</u>	<u>(73)</u>	<u>721,199</u>

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(b) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2024 and 2023. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2024	December 31, 2023
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>691,141</u>	<u>400,176</u>

(c) Unrecognized deferred tax assets

Unused loss carryforwards for which no deferred tax assets have been recognized was as follows:

	December 31, 2024	December 31, 2023
Expiry period		
1-4 years	\$ 75,659	78,267
5-10 years	<u>36,992</u>	<u>39,532</u>
	\$ <u>112,651</u>	<u>117,799</u>

C. Income tax assessments

As of December 31, 2024, the tax authorities have completed the examination of the Company's income tax returns through 2019.

(18) Capital and other equity

A. Share capital

As of December 31, 2024 and 2023, the authorized ordinary shares of the Company amounted to \$4,000,000, which was divided into 400,000 thousand shares, with a par value of \$10 dollars per share. The issued ordinary share capital amounted to \$2,658,583 and \$2,649,583 as of December 31, 2024 and 2023, respectively.

On April 16, 2021, the Company's Board of Directors approved the issuance of 17,517 thousand shares via private placement to Innobic LL Holding Company Limited. The record date of the private placement was April 21, 2021. The relevant statutory registration procedures have since been completed.

As of December 31, 2024 and 2023, there were 0 thousand and 17,517 thousand privately placed shares, respectively, included in the issued share capital of the Company.

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The aforementioned private placement of ordinary shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the TWSE after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the FSC.

On November 7, 2024, August 8, 2024, March 14, 2024 and August 10, 2023, the Board of Directors approved the issuance of 200 thousand, 170 thousand, 560 thousand and 2,487 thousand shares, respectively, under the 2023 RSA Plan. Please refer to note 6(19). The relevant statutory registration procedures have since been completed.

About the cancellation of the forfeited shares under the 2019 Employee Restricted Stock Awards Plan (the “2019 RSA Plan”) and the 2023 Employee Restricted Stock Awards Plan (the “2023 RSA Plan”), please refer to note 6(19).

B. Capital surplus

The ending balances of capital surplus were as follows:

	December 31, 2024	December 31, 2023
Additional paid-in capital	\$ 5,474,195	5,305,689
Treasury share transactions	30,660	25,546
Conversion of convertible bonds	1,268,876	1,268,876
Restricted stock awards	657,228	530,438
	<u>\$ 7,430,959</u>	<u>7,130,549</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends.

On March 9, 2023, the Board of Directors resolved to distribute cash dividends from capital surplus at \$3.46 dollars per share in the amount of \$906,227. The resolution was reported in the shareholders’ meeting held on June 15, 2023.

For the details about treasury share transactions and restricted stock awards, please refer to note 6(19).

C. Retained earnings

According to the articles of incorporation, in years of earnings, the Company has to offset any accumulated deficit, pay income tax, and appropriate 10% of the balance as a legal reserve before distribution of earnings, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter, any remainder shall be set aside or reversed as special reserve in accordance with the relevant laws and regulations. Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the Board of Directors during the shareholders’ meeting for approval.

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The Board of Directors is authorized to pay dividends and bonuses, legal reserves, and capital surpluses in whole or in part in cash, providing a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and such a resolution shall be reported to the shareholders' meeting. If the Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

In allocating dividends from distributable earnings, among which cash dividend shall not be less than 10% of total distribution, the Company takes into consideration its future capital demand, long-term financial planning, the cash inflow demand of the shareholders, plans for corporate growth, and the operating environment. During their meeting, the shareholders may adjust the Board of Directors' proposal and percentage of appropriations depending on the Company's actual profit and capital situation.

Pursuant to relevant laws or regulations or as requested by the local authority, total net debit balance of the other components of equity shall be set aside from current earnings as special reserve, and not for distribution. Subsequent decrease pertaining to items that are accounted for as a reduction to the other components of equity shall be reclassified from special reserve to undistributed earnings.

D. Earnings distribution

The appropriation of earnings for 2023 was approved by the Board of Directors on March 14, 2024; cash dividend at \$4.66 dollars per share in the amount of \$1,231,688 was approved. The appropriation of earnings to legal reserve and special reserve was approved in the shareholders' meeting held on June 13, 2024.

The appropriation of earnings for 2024 was approved by the Board of Directors on March 6, 2025; cash dividend at \$5.73 dollars per share in the amount of \$1,519,653 was approved. The remaining items will need to be approved in the shareholders' meeting.

The information related to the appropriation of earnings is available on the Market Observation Post System website.

E. Treasury shares

During the third quarter of 2021, the Company repurchased 550 thousand shares as treasury shares with an amount of \$57,354 for the purposes of transferring to employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act.

On April 30, 2024 and August 10, 2023, the Board of Directors approved the transfer of 26 thousand and 66 thousand treasury shares, respectively, to employees. As of December 31, 2024 and 2023, 86 thousand and 60 thousand treasury shares, respectively, were transferred. Please refer to note 6(19) for the details.

As of December 31, 2024 and 2023, a total of 464 thousand and 490 thousand shares, respectively, were yet to be transferred.

In accordance with the Securities and Exchange Act, treasury shares held by the Company should not be pledged and should not hold any shareholder rights before their transfer.

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(19) Share-based payment

A. 2019 RSA Plan

On June 24, 2019, the Company's shareholders approved the 2019 RSA Plan to issue new ordinary shares with a total amount not exceeding \$25,000, consisting of 2,500 thousand shares with a par value of \$10. Under the 2019 RSA Plan, employees receive fully paid ordinary shares for no consideration at the date of grant, but shares cannot be sold or transferred by employees until vesting conditions are satisfied. The Company has the rights to repurchase and cancel unvested shares at no consideration if employees fail to satisfy the vesting conditions. The 2019 RSA Plan was approved by the FSC on May 11, 2020.

On May 14, 2020, the Company's Board of Directors approved the issuance of 2,190 thousand shares under the 2019 RSA Plan to eligible employees. The grant date fair value was determined based on the Company's closing share price on June 2, 2020, which was \$79.5 dollars per share.

On November 12, 2020, the Company's Board of Directors approved the issuance of 50 thousand shares under the 2019 RSA Plan to eligible employees. The grant date fair value was determined based on the Company's closing share price on December 1, 2020, which was \$84 dollars per share.

As of December 31, 2024 and 2023, the number of shares forfeited under the 2019 RSA Plan was 400 thousand shares. On August 10, 2023, August 11, 2022, March 16, 2022 and November 11, 2021, the Board of Directors approved to cancel 120 thousand, 165 thousand, 40 thousand and 75 thousand of the forfeited shares, respectively.

As of December 31, 2024 and 2023, there were no shares available for future grants under the 2019 RSA Plan.

The 2019 RSA Plan includes non-market performance conditions set by the Company, which include both individual goals and company-wide business goals, and a time-based service conditions as shown below:

(a) Five-year plan

<u>Vesting Conditions</u>	<u>The Maximum Proportion of the RSA Vested (% of the RSA Granted to the Employee)</u>
Two years from the date of grant	25%
Three years from the date of grant	25%
Four years from the date of grant	25%
Five years from the date of grant	25%

(b) Three-year plan

<u>Vesting Conditions</u>	<u>The Maximum Proportion of the RSA Vested (% of the RSA Granted to the Employee)</u>
Two years from the date of grant	50%
Three years from the date of grant	50%

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Restrictions Before the Vesting Conditions Satisfied

- (a) Unvested shares shall be held in custody by a trustee. Except for a transfer occurring due to an inheritance, employee shall not sell, transfer, make a gift of, pledge, hypothecate or otherwise dispose such shares in any other manners.
- (b) The rights of attendance, proposal, speech, voting and election at general meetings attached to the unvested shares shall be the same as the ordinary shares of the Company and shall be exercised by the trustee in accordance with the Trust Contract.
- (c) Other shareholder rights attached to the unvested shares, including but not limited to receiving stock dividends, cash dividends, cash or property returned to shareholders due to a capital reduction, shares derive from or cash distributed from the legal reserve or capital reserve, subscribing new shares issued upon capital increase for cash, shall be the same as the ordinary shares of the Company and shall be exercised in accordance with the Trust Contract.

B. 2023 RSA Plan

On June 15, 2023, the Company's shareholders approved the 2023 RSA Plan to issue new ordinary shares with a total amount not exceeding \$50,000, consisting of 5,000 thousand shares with a par value of \$10. Under the 2023 RSA Plan, employees receive fully paid ordinary shares for no consideration at the date of grant, but shares cannot be sold or transferred by employees until vesting conditions are satisfied. The Company has the rights to repurchase and cancel unvested shares at no consideration if employees fail to satisfy the vesting conditions. The 2023 RSA Plan was approved by the FSC on July 27, 2023.

On August 10, 2023, the Board of Directors approved the issuance of 2,487 thousand shares under the 2023 RSA Plan to eligible employees. The grant date fair value was determined based on the Company's closing share price on September 26, 2023, which was \$235.50 per share.

On March 14, 2024, the Board of Directors approved the issuance of 560 thousand shares under the 2023 RSA Plan to eligible employees. The grant date fair value was determined based on the Company's closing share price on April 15, 2024, which was \$332.50 per share.

On August 8, 2024, the Board of Directors approved the issuance of 170 thousand shares under the 2023 RSA Plan to eligible employees. The grant date fair value was determined based on the Company's closing share price on August 20, 2024, which was \$284.50 per share.

On November 7, 2024, the Board of Directors approved the issuance of 200 thousand shares under the 2023 RSA Plan to eligible employees. The grant date fair value was determined based on the Company's closing share price on November 11, 2024, which was \$290.00 per share.

As of December 31, 2024, the number of shares forfeited under the 2023 RSA Plan was 30 thousand shares. On August 8, 2024, the Board of Directors approved to cancel 30 thousand of the forfeited shares.

As of December 31, 2024 and 2023, there were 1,583 thousand and 2,513 thousand shares available for future grants under the 2023 RSA Plan.

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The 2023 RSA Plan includes non-market performance conditions set by the Company, which include both individual goals and company-wide business goals, and a time-based service conditions as shown below:

(a) Five-year plan

<u>Vesting Conditions</u>	<u>The Maximum Proportion of the RSA Vested (% of the RSA Granted to the Employee)</u>
One year from the date of grant	20%
Two years from the date of grant	20%
Three years from the date of grant	20%
Four years from the date of grant	20%
Five years from the date of grant	20%

(b) Three-year plan

<u>Vesting Conditions</u>	<u>The Maximum Proportion of the RSA Vested (% of the RSA Granted to the Employee)</u>
One year from the date of grant	33%
Two years from the date of grant	33%
Three years from the date of grant	34%

Restrictions Before the Vesting Conditions Satisfied:

- (a) Unvested shares shall be held in custody by a trustee. Except for a transfer occurring due to an inheritance, employee shall not sell, transfer, make gift of, pledge, hypothecate or otherwise dispose such shares in any other manners.
- (b) The rights of attendance, proposal, speech, voting and election at general meetings attached to the unvested shares shall be the same as the ordinary shares of the Company and shall be exercised by the trustee in accordance with the Trust Contract.
- (c) The unvested restricted employee stock rights of each batch, including any rights derived from stock dividends (including stock dividends derived from retained earnings and capital surplus) and dividends (including cash dividends and dividends distributed from surplus), as well as the stock rights and interests derived from the stock dividends and dividends, are subject to the same restrictions as the unvested restricted employee stock rights of that batch (including but not limited to transfer and vested condition calculation).
- (d) Other shareholder rights attached to the unvested shares, including but not limited to receiving stock dividend, cash dividends, subscribing new shares issued upon capital increase for cash, shall be the same as the ordinary shares of the Company and shall be exercised in accordance with the Trust Contract.

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C. The movement in the unearned share based payments was as follows:

	<u>2024</u>	<u>2023</u>
Balance at January 1	\$ (449,413)	(24,149)
Granted	(268,583)	(517,357)
Share-based payment costs	342,938	92,093
Change of estimation	(35,713)	-
Balance at December 31	<u>\$ (410,771)</u>	<u>(449,413)</u>

D. Employee treasury shares

The Company used Black Scholes option pricing model in measuring the fair value of the share based payment at the grant date. The Company recognized compensation cost amounting to \$5,711 and \$14,400 for the years ended December 31, 2024 and 2023, respectively.

Grant date	Total shares vested (thousands)	Vesting conditions	Share price	Exercise price	Fair value per unit
May 19, 2024	26	Note	301	10	291
August 14, 2023	60	Vest immediately	250	10	240

Note: 14,000 shares will be vested immediately on the grant date and 12,000 shares will be vested in two equal annual instalments upon satisfaction of service condition.

The movement in the unearned share based payments related to the employee treasury shares was as follows:

	<u>2024</u>	<u>2023</u>
Balance at January 1	\$ -	-
Granted	(3,492)	-
Share-based payment costs	1,637	-
Balance at December 31	<u>\$ (1,855)</u>	<u>-</u>

(20) Earnings per share

The calculation of basic earnings per share and diluted earnings per share was as follows:

	<u>For the years ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Basic earnings per share		
Net income attributable to owners of the Company	\$ <u>5,065,510</u>	<u>4,105,626</u>
Weighted average number of ordinary shares (in thousands)	<u>261,850</u>	<u>261,242</u>
Basic earnings per share (in dollars)	<u>\$ 19.35</u>	<u>15.72</u>

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	For the years ended December 31,	
	2024	2023
Diluted earnings per share		
Net income attributable to owners of the Company	\$ <u>5,065,510</u>	<u>4,105,626</u>
Weighted average number of ordinary shares (in thousands)	261,850	261,242
Effect of dilutive potential ordinary shares		
Share-based payment to employees (in thousands)	1,320	595
Remuneration to employees (in thousands)	<u>229</u>	<u>187</u>
Weighted average number of ordinary shares (diluted) (in thousands)	<u>263,399</u>	<u>262,024</u>
Diluted earnings per share (in dollars)	\$ <u>19.23</u>	<u>15.67</u>

(21) Revenue from contracts with customers

A. Disaggregation of revenue

	For the year ended December 31, 2024		
	Pharmaceuticals Segment	Other Segment	Total
Primary geographical markets:			
United States	\$ 7,740,955	26,587	7,767,542
South Korea	5,712,119	-	5,712,119
Taiwan	2,516,049	-	2,516,049
Others	<u>2,500,089</u>	<u>88,428</u>	<u>2,588,517</u>
	<u>\$ 18,469,212</u>	<u>115,015</u>	<u>18,584,227</u>
Major products/services lines:			
Sale of goods	\$ 18,285,191	-	18,285,191
Out-licensing of IP rights	169,805	-	169,805
Services and others	<u>14,216</u>	<u>115,015</u>	<u>129,231</u>
	<u>\$ 18,469,212</u>	<u>115,015</u>	<u>18,584,227</u>
Major customers:			
Customer A	\$ 7,746,036	8,591	7,754,627
Customer B	2,056,656	-	2,056,656
Others (individually not greater than 10%)	<u>8,666,520</u>	<u>106,424</u>	<u>8,772,944</u>
	<u>\$ 18,469,212</u>	<u>115,015</u>	<u>18,584,227</u>

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	For the year ended December 31, 2023		
	Pharmaceuticals Segment	Other Segment	Total
Primary geographical markets:			
United States	\$ 6,789,699	25,103	6,814,802
South Korea	5,586,521	-	5,586,521
Taiwan	2,412,754	-	2,412,754
Others	2,074,978	68,916	2,143,894
	<u>\$ 16,863,952</u>	<u>94,019</u>	<u>16,957,971</u>
Major products/services lines:			
Sale of goods	\$ 16,196,432	-	16,196,432
Out-licensing of IP rights	430,764	-	430,764
Services and others	236,756	94,019	330,775
	<u>\$ 16,863,952</u>	<u>94,019</u>	<u>16,957,971</u>
Major customers:			
Customer A	\$ 6,789,699	6,770	6,796,469
Others (individually not greater than 10%)	10,074,253	87,249	10,161,502
	<u>\$ 16,863,952</u>	<u>94,019</u>	<u>16,957,971</u>

B. Contract balances

	December 31, 2024	December 31, 2023	January 1, 2023
Contract assets — current	<u>\$ 221,774</u>	<u>128,782</u>	<u>258,779</u>
Contract liabilities — current	<u>\$ 180,900</u>	<u>132,854</u>	<u>183,084</u>
Contract liabilities — non-current	<u>\$ 26,563</u>	<u>45,326</u>	<u>65,915</u>

For details on accounts receivable, net and expected credit loss allowance, please refer to note 6(4).
For details on accounts receivable — related parties, please refer to note 7.

The amount of \$57,092 and \$98,267 included in contract liabilities balance at the beginning of the year has been recognized as revenue for the years ended December 31, 2024 and 2023, respectively.

(22) Remuneration to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, a minimum of 1% will be distributed as employee remuneration, and a maximum of 10% will be allocated as remuneration to directors. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

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For the years ended December 31, 2024 and 2023, the Company accrued and recognized employee remuneration amounting to \$61,832 and \$50,818, respectively; however, no remuneration to directors was accrued for both periods. These amounts were calculated by using the Company's income before income tax for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under cost of sales or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or loss in the following year. If, however, the Board of Directors determines that the employee remuneration is to be distributed through stock dividends, the calculation, based on the shares, shall be calculated using the stock price on the day before the approval by the Board of Directors.

The related information about remuneration to employees and directors is available at the Market Observation Post System website.

(23) Non-operating income and expenses

A. Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31,	
	2024	2023
Losses on disposal of property, plant and equipment	\$ (641)	(24,745)
Gains on financial asset at FVTPL	604,158	715,051
Foreign exchange gains	168,112	91,674
Losses from early repayment of loans	(911)	(103,794)
Others	(36,564)	(19,428)
	\$ 734,154	658,758

For the details on losses from early repayment of loans, please refer to note 6(13).

B. Finance costs

The details of finance costs were as follows:

	For the years ended December 31,	
	2024	2023
Interest expenses on borrowings	\$ 542,778	521,788
Interest expenses on lease liabilities	18,615	11,902
Others	9,372	23,707
	\$ 570,765	557,397

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(24) Financial instruments

A. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is principally from the receivables from customers and cash and cash equivalents.

The Group established a credit policy to have transactions only with reputable counterparties. If necessary, the Group will request collateral to mitigate risks arising from financial loss due to default risk. The Group continuously monitors the exposure to credit risk and the creditworthiness of the counterparty, and establish sales limits based on credit rating for each of its approved customer.

For the years ended December 31, 2024 and 2023, the Group's largest customer individually accounted for 41.68% and 40.08%, respectively, of the Group's net revenue. As of December 31, 2024 and 2023, such largest customer accounted for 62% and 66% of accounts receivable (including related parties), respectively. There is no other significant concentration of credit risk.

For credit risk exposure of accounts receivable (including related parties), please refer to notes 6(4) and 7.

The Group deposits its cash and cash equivalents with various reputable financial institutions. Management performs periodic evaluation on the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. Management believes that there is a limited concentration of credit risk in cash and cash equivalents.

B. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by maintaining sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors bank loans and ensures compliance with financial covenants set forth in the terms of loan agreements. As of December 31, 2024 and 2023, please refer to notes 6(12) and (13) for the Group's unused credit line.

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The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~5 years</u>	<u>Over 5 years</u>
December 31, 2024					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,614,619	1,624,239	1,624,239	-	-
Notes and accounts payable (including related parties)	1,070,438	1,070,438	1,070,438	-	-
Other payables (including related parties)	1,328,540	1,328,540	1,328,540	-	-
Long-term borrowings (including current portion)	11,773,507	12,517,217	3,798,266	8,718,951	-
Lease liabilities — current and non- current	<u>278,378</u>	<u>309,850</u>	<u>97,237</u>	<u>210,070</u>	<u>2,543</u>
	<u>\$ 16,065,482</u>	<u>16,850,284</u>	<u>7,918,720</u>	<u>8,929,021</u>	<u>2,543</u>
December 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	\$ 510,000	512,784	512,784	-	-
Notes and accounts payable (including related parties)	670,796	670,796	670,796	-	-
Other payables (including related parties)	1,332,565	1,332,565	1,332,565	-	-
Long-term borrowings (including current portion)	10,822,349	12,095,620	1,791,315	10,304,305	-
Lease liabilities — current and non- current	<u>252,440</u>	<u>289,145</u>	<u>83,191</u>	<u>195,772</u>	<u>10,182</u>
	<u>\$ 13,588,150</u>	<u>14,900,910</u>	<u>4,390,651</u>	<u>10,500,077</u>	<u>10,182</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Market risk

(a) Currency risk

The Group has assets and liabilities not recorded in the same functional currency as that of the Company; thus, it is exposed to risks due to exchange rate fluctuation.

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), financial asset at FVTPL, notes and accounts payable (including related parties), other payables (including related parties), long-term borrowings and other non-current liabilities that are denominated in foreign currency.

To manage risks within an acceptable level, the Group uses natural hedge against its currency risk. Management monitors and evaluates the movements of exchange rates and the weakness or strength of a currency's performance in line with natural hedging.

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The Group's significant exposure of financial assets and liabilities to foreign currency risk was as follows:

	December 31, 2024			December 31, 2023		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 167,437	32.70	5,475,954	172,447	31.13	5,368,062
EUR	32,864	34.01	1,117,633	19,132	34.35	657,218
<u>Non-monetary items</u>						
USD	97,505	32.70	3,188,859	83,032	31.13	2,584,701
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	57,303	32.70	1,874,076	55,048	31.13	1,713,591
EUR	13,316	34.01	452,863	4,530	34.35	155,620

A weakening or strengthening of 5% of the NTD against the USD and EUR for the years ended December 31, 2024 and 2023, with all other variable factors remaining constant, would have increased or decreased the income before income tax by \$213,332 and \$207,803, respectively.

With varieties of functional currencies within the Group, the information on foreign exchange gain or loss on monetary items was disclosed based on the total amount. For the years ended December 31, 2024 and 2023, the foreign exchange gains (including realized and unrealized portions) amounted to \$168,112 and \$91,674, respectively.

(b) Interest rate risk

The Group's exposure to interest rate risk arises mainly from outstanding bank and other financial institutions borrowings carried at floating interest rates, wherein the cash flow risk arises from the changes in interest rates.

Assuming the amount of floating-rate bank borrowings at the reporting date had been outstanding throughout the year, with all other variable factors remaining constant, as the interest rate increases or decreases by 0.05%, the Group's income before income tax would have decreased or increased by \$3,410 and \$4,565 for the years ended December 31, 2024 and 2023, respectively.

(c) Other market value risk

The Group's exposure to equity price risk arises from its investment in financial asset at FVOCI.

Assuming an increase or a decrease by 10% in the securities price at the reporting date, the Group's other comprehensive income would have increased or decreased by \$40,518 and \$46,361 for the years ended December 31, 2024 and 2023, respectively.

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D. Fair value of financial instruments

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Except as described in the following table, the Group considers the carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), long-term accounts receivable, notes and accounts payable (including related parties), other payables (including related parties) and lease liabilities, approximate their fair value, disclosure of fair value information is not required.

The following table presents the carrying amount and fair value of the Group's financial instruments measured at fair value on a recurring basis:

		December 31, 2024			
		Book Value	Fair Value		
			Level 1	Level 2	Level 3
					Total
Financial asset at FVTPL					
Foreign preferred stock		<u>\$ 3,188,859</u>	<u>-</u>	<u>-</u>	<u>3,188,859</u>
Financial asset at FVOCI					
Foreign listed stock		<u>\$ 405,177</u>	<u>405,177</u>	<u>-</u>	<u>-</u>
					<u>405,177</u>
		December 31, 2023			
		Book Value	Fair Value		
			Level 1	Level 2	Level 3
					Total
Financial asset at FVTPL					
Foreign preferred stock		<u>\$ 2,584,701</u>	<u>-</u>	<u>-</u>	<u>2,584,701</u>
Financial asset at FVOCI					
Foreign listed stock		<u>\$ 463,611</u>	<u>463,611</u>	<u>-</u>	<u>-</u>
					<u>463,611</u>

(a) Valuation techniques and assumptions used in fair value measurement

The Group's investment in foreign listed stock is traded in an active market. The fair value is determined with reference to quoted market prices.

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The Group's investment in foreign preferred stock without an active market is initially recognized at the fair value of the cash consideration paid and is subsequently remeasured to fair value based on valuation technique. Management reviews the policy and procedures of fair value measurement at least once at the end of the annual reporting period, or more frequently as deemed necessary.

(b) Transfer between levels

There was no transfer between levels for the years ended December 31, 2024 and 2023 and the valuation techniques have not changed.

(c) Reconciliation of Level 3 fair values

For the year ended December 31, 2024 and 2023, the changes of fair values \$604,158 and \$715,051, respectively, were recognized in profit or loss.

(d) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instrument that use Level 3 inputs to measure fair value is financial asset at FVTPL.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial asset at FVTPL—non-current	Binomial Trees model method	- Duration (1 year and 0.93 year at Dec 31, 2024 and 2023, respectively.) - Estimated stock price (USD906.21 and USD900.56 at Dec 31, 2024 and 2023, respectively.) - Discount rate (28.2% and 28% at Dec 31, 2024 and 2023, respectively.)	- The estimated fair value would increase if the duration were shorter. - The estimated fair value would increase if the estimated stock price were higher. - The estimated fair value would decrease if the discount rate were higher.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

- (e) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

If there is a change in assumption as of December 31, 2024 and 2023, the impact on the fair value of financial asset at FVTPL would be as follows:

	Impact on income statement	
	Increased	Decreased
Balance at December 31, 2024		
Discount rate (5.00% movement)	\$ <u>(270,572)</u>	<u>355,172</u>
Balance at December 31, 2023		
Discount rate (5.00% movement)	\$ <u>(241,288)</u>	<u>926,304</u>

(25) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance.

As for the strategy of the Group's capital structure management, the Group sets its suitable market share according to its industry scale, the growth of the industry and the blueprint of the product development. The Group estimates the required capacity, the equipment and related capital expenditure to be used. Then the Group calculates working capital and cash on the basis of the industry character to support a complete plan for its long-term development. Finally, the Group estimates not only the possible contribution margin, operating profit ratio and cash flows according to the product competitiveness but also risk factors such as the fluctuation of the business cycle and the life cycle of the product to decide the suitable capital structure. The management inspects capital structures periodically and considers the possible costs and risks taken by different capital structures.

(26) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow were as follows:

A. For leased right-of-use assets, please refer to note 6(8).

B. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2024	Cash flow	Foreign exchange movement	Others (Note)	December 31, 2024
Short-term borrowings	\$ 510,000	1,117,831	(13,212)	-	1,614,619
Long-term borrowings (include current portion)	10,822,349	940,182	12,108	(1,132)	11,773,507
Lease liabilities	252,440	(112,183)	(12,158)	150,279	278,378
Total liabilities from financing activities	<u>\$ 11,584,789</u>	<u>1,945,830</u>	<u>(13,262)</u>	<u>149,147</u>	<u>13,666,504</u>

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

	January 1, 2023	Cash flow	Foreign exchange movement	Others (Note)	December 31, 2023
Short-term borrowings	\$ 155,919	354,590	(509)	-	510,000
Long-term borrowings (include current portion)	8,656,239	2,061,433	(43,444)	148,121	10,822,349
Lease liabilities	105,810	(107,722)	(1,248)	255,600	252,440
Total liabilities from financing activities	<u>\$ 8,917,968</u>	<u>2,308,301</u>	<u>(45,201)</u>	<u>403,721</u>	<u>11,584,789</u>

Note: Other items include the addition and other changes in lease liabilities.

7. Related-party transactions

(1) Parent company and ultimate controlling party

The Company's parent company is INIH, intermediate holding company is Innobic Hong Kong Biddingco Limited (formerly "Aztiq II BidCo Limited") and the ultimate controlling party is PTT; please refer to note 1.

(2) Name and relationship with related parties

The following is a summary of related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

Name of related parties	Relationship with the Group
INIH	Parent company
Adalvo Competence Center SRL	Other related party
Adalvo EOOD	Other related party
Adalvo Limited	Other related party
Alvogen Holding (Thailand) Ltd.	Other related party
Alvogen Inc.	Other related party
Alvogen Malta Shared Services Ltd.	Other related party
Alvogen PB Research & Development LLC ("Alvogen PB R&D")	Other related party
AZTIQ Consulting ehf.	Other related party
Fuji Pharma Co., Ltd.	Other related party (Note)
Innobic (Asia) Co., Ltd.	Other related party
Innobic LL Holding Company Limited	Other related party
New Alvogen Group Holding Inc. ("NAGH")	Other related party
Norwich Pharmaceuticals, Inc.	Other related party

Note : The company ceased to be a related party to the Group effective from July 2023.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

(3) Significant transactions with related parties

A. Sales

The amounts of significant sales by the Group to related parties were as follows:

	For the years ended December 31,	
	2024	2023
Alvogen Inc.	\$ 7,754,627	6,796,469
Adalvo Limited	1,275,167	1,003,110
INIH	3,532	3,096
Other related parties	11,711	12,898
	\$ 9,045,037	7,815,573

When there is a substantial price decline in the market, revenue deduction provision for shelf stock adjustment is estimated based on the inventory level held by the related parties and the anticipated decline in the market price. Shelf stock adjustment accrual is recorded in other payables—related parties.

The selling prices for sales to related parties were determined by market price and adjusted according to the sales area and sales volume. The credit terms were mainly 90~180 days, which were similar to transactions with unrelated customers.

B. Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	For the years ended December 31,	
	2024	2023
Adalvo Limited	\$ -	9,058
Norwich Pharmaceuticals, Inc.	-	5,974
	\$ -	15,032

The purchase prices and payment terms to related parties were not significantly different from transactions with third parties.

C. Receivables from related parties

Accounts	Name of related parties	December 31, 2024	December 31, 2023
Accounts receivable — related parties	Alvogen Inc.	\$ 4,453,932	4,150,530
	Adalvo Limited	804,926	447,441
	Other related parties	1,658	8,419
		\$ 5,260,516	4,606,390

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Accounts	Name of related parties	December 31, 2024	December 31, 2023
Other receivables — related parties	Alvogen PB R&D	\$ 32,530	104,900
	Adalvo Limited	27,142	34,087
	Alvogen Inc.	8,925	17,642
	INIH	-	22
	Other related parties	963	195
		\$ 69,560	156,846

About the detailed information of accounts receivable-related parties, please refer to Table 5.

Receivables from related parties were not pledged as collateral, and were assessed not to provide for any loss allowance.

D. Payables to related parties

Accounts	Names of related parties	December 31, 2024	December 31, 2023
Accounts payable — related parties	Alvogen Inc.	\$ 82,334	45,693
	Adalvo Limited	-	185
		\$ 82,334	45,878
Other payables — related parties	Alvogen Inc.	\$ 42,578	97,842
	Adalvo Limited	21,137	55,934
	Alvogen PB R&D	17,170	21,065
	AZTIQ Consulting ehf.	17,018	-
	INIH	-	2,104
	Other related parties	1,400	807
		\$ 99,303	177,752

E. Acquisition of intangible assets

Prices of intangible assets purchased from related parties were summarized as follows:

Names of related parties	Accounts	For the years ended December 31,	
		2024	2023
Adalvo Limited	Intangible assets	\$ 852	23,715

The Group entered into several agreements with Adalvo Limited to acquire products rights from Adalvo Limited and made upfront and milestone payments in accordance with the agreements. As of December 31, 2024 and 2023, the remaining unpaid milestones amounted to \$40,548 (EUR 1,125 thousand and USD 70 thousand) and \$38,249 (EUR 1,050 thousand and USD 70 thousand), respectively.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

F. Others

(a)

Accounts	Names of related parties	For the years ended December 31,	
		2024	2023
Capitalization of development expenses	Adalvo Limited	\$ 5,532	7,613
	Alvogen PB R&D	-	6,298
		\$ 5,532	13,911
Cost of sales	Other related parties	\$ 120,960	165,911
Operating expense	INIH	\$ 5,009	11,277
	Other related parties	85,121	122,244
		\$ 90,130	133,521
Other income	Alvogen Inc.	\$ 40,816	17,569
	Adalvo Limited	4,831	4,510
	INIH	4	-
	Fuji Pharma Co., Ltd.	-	4,725
	Other related parties	1,321	1,328
		\$ 46,972	28,132
Reimbursed income for development costs recognized as an offset to research and development expense	Alvogen PB R&D	\$ (3,874)	(22,126)
Reimbursed income recognized as an offset to cost of sales	Alvogen PB R&D	\$ (28,993)	-

(b)

Accounts	Names of related parties	December 31, 2024	December 31, 2023
Contract assets — current	Alvogen Inc.	\$ 130,415	24,051
	Adalvo Limited	82,853	100,185
		\$ 213,268	124,236

(c)

Accounts	Names of related parties	December 31, 2024	December 31, 2023
Contract liabilities — current	Adalvo Limited	\$ 147,387	87,392

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

(4) Key management personnel compensation

	For the years ended December 31,	
	2024	2023
Short-term employee benefits	\$ 183,222	167,538
Share-based payments	243,989	68,396
	<u>\$ 427,211</u>	<u>235,934</u>

8. Assets pledged as security

As of December 31, 2024 and 2023, the following assets were pledged as collaterals:

Asset	Purpose of pledge	December 31, 2024	December 31, 2023
Bank demand deposits (classified as other current assets)	Compensation balances	\$ 15,000	15,000
Bank demand deposits (classified as other non-current assets)	Deposit for drug application, performance guarantee and customs, etc.	925	869
Land	Long-term borrowings	598,943	622,554
Buildings and plant equipment	Long-term borrowings	1,415,361	1,264,168
Machinery equipment	Long-term borrowings	149,813	178,339
		<u>\$ 2,180,042</u>	<u>2,080,930</u>

In addition, as of December 31, 2024 and 2023, the entire shares of Alvogen Korea Holdings were pledged as collateral to secure the Company's bank loan facility; as of December 31, 2024 and 2023, the entire shares of Alvogen Korea were pledged as collaterals.

9. Commitments and contingencies

- (1) The Company had entered into clinical trials collaborative agreements, which required the Company to pay the amount of \$59,891, with \$11,978 payable within one year, and the remaining amount of \$47,913 is payable in installments based on the progress of clinical trials as of December 31, 2024.
- (2) On May 12, 2021, the Company was informed of the resolution by the Fair Trade Commission ("FTC") in Taiwan on incompliance of the exclusive out-licensing agreement entered into between the Company and TTY Biopharm Company Limited for product Furil Capsules "LOTUS" used in the treatment of colorectal cancer with the Taiwanese competition laws; as a result, the FTC imposed a fine of \$65,000 on the Company. In 2021, the Company deposited the full amount of fine, which is presented in other non-current assets. The Company retained legal counsel and initiated litigation in July 2021 through administrative legal procedures before Taipei High Administrative Court; the case is in progress. The Company believes that the aforementioned business arrangement was implemented in a legally compliant manner and intends to pursue available legal remedies to defend the Company's interests.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

- (3) As of December 31, 2024, the Company's subsidiaries in Korea had the following commitments:

(Amounts in thousands of New Taiwan Dollars and U.S. Dollars)

Significant Commitment	Contract Amount	Financial Institution
Letter of credit	USD 1,500 (NTD 49,057)	Woori Bank

- (4) On October 14, 2022, the Korea Fair Trade Commission ("KFTC") made a press release stating its resolution that an agreement signed between Alvogen Korea and AstraZeneca Ltd. for the anti-cancer products "Zoladex", "Arimidex" and "Casodex" for Korean market was not compliant to Korean competition laws; as a result, the KFTC imposed a fine of KRW 1,232 million (\$27,663) on Alvogen Korea. Alvogen Korea then received the KFTC's official written resolution on December 15, 2022. In 2022, Alvogen Korea deposited the total amount of the fine, which is presented in other current assets. Alvogen Korea retained legal counsel and initiated litigation in January 2023 through Seoul High Court; the case is in progress. Alvogen Korea believes that the aforementioned business arrangement was implemented in a legally compliant manner and intends to pursue available legal remedies to defend its interests.
- (5) On September 5, 2024 the Company's Board of Directors approved the acquisition of product rights related to Alpha Choay in Vietnam through the Company's subsidiary, Alvogen (Thailand) Ltd. from Sanofi Vietnam Shareholding Company which required Alvogen (Thailand) Ltd. to pay the consideration of USD45 million (\$1,471,703) less price adjustment from the transferred inventory margin, which was paid on the closing date in January 2025, plus USD5 million (\$163,523) deferred consideration upon satisfaction of certain conditions set forth in the agreement.

10. Losses due to major disasters: None.

11. Subsequent events:

On March 6, 2025, the Company's Board of Directors approved the transfer of 50 thousand treasury shares to employees.

12. Other

A summary of employee benefits, depreciation and amortization expenses, by function, was as follows:

		For the years ended December 31,					
		2024			2023		
		Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
By item	By function						
Employee benefits							
Salary		824,803	1,444,918	2,269,721	662,935	1,318,638	1,981,573
Labor and health insurance		29,766	27,600	57,366	23,903	27,415	51,318
Pension		53,782	131,168	184,950	48,110	114,909	163,019
Others		65,583	555,066	620,649	66,779	277,737	344,516
Depreciation		202,724	163,674	366,398	159,671	146,894	306,565
Amortization		13,634	903,221	916,855	6,199	897,875	904,074

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

13. Other disclosures

(1) Information on significant transactions:

The following is the information on significant transactions required by the Regulations for the Group for the year ended December 31, 2024:

- A. Loans to other parties: Please refer to Table 1.
- B. Guarantees and endorsements for other parties: None.
- C. Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 2.
- D. Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 3.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 4.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5.
- I. Trading in derivative instruments: None.
- J. Business relationships and significant intercompany transactions: Please refer to Table 6.

(2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 7.

(3) Information on investment in Mainland China:

- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 8.
- B. Limitation on investment in Mainland China: Please refer to Table 8.
- C. Significant transactions: None.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

(4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
INIH (Note)		82,446,796	31.07 %
Aztiq Lotus SARL (Note)		26,521,723	9.99 %
Innobic LL Holding Company Limited		17,517,348	6.60 %

Note: In July 2024, due to shareholders adjustment to the shareholding structure, INIH transferred 26,521,723 shares to Aztiq Lotus SARL.

14. Segment information

(1) General information

The only reportable segment of the Group is the Pharmaceuticals business segment, which engages mainly in the research and development, manufacturing and sales of pharmaceutical products. The Group has other operating segments engaged mainly in the provision of clinical trial and technical services, which did not meet the quantitative thresholds for reportable segment.

The segment income or loss was mainly measured by operating income or loss, which is also the basis of performance evaluation. In addition, there is no significant inconsistency between the accounting policies adopted by the operating segment and the policies stated in Note 4.

(2) Information about reportable segments and their measurement and reconciliations

The Group's operating segment information and reconciliation are as follows:

For the year ended December 31, 2024				
	Pharmaceuticals Segment	Other Segment	Elimination	Total
Net revenue:				
Revenue from external customers	\$ 18,469,212	115,015	-	18,584,227
Intersegment revenues	-	218,945	(218,945)	-
Total net revenue	<u>\$ 18,469,212</u>	<u>333,960</u>	<u>(218,945)</u>	<u>18,584,227</u>
Operating income	<u>\$ 5,997,129</u>	<u>28,327</u>	<u>(5,477)</u>	<u>6,019,979</u>
Reportable segment assets	<u>\$ 40,019,190</u>	<u>804,264</u>	<u>(722,311)</u>	<u>40,101,143</u>

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

For the year ended December 31, 2023				
	Pharmaceuticals Segment	Other Segment	Elimination	Total
Net revenue:				
Revenue from external customers	\$ 16,863,952	94,019	-	16,957,971
Intersegment revenues	-	245,375	(245,375)	-
Total net revenue	<u>\$ 16,863,952</u>	<u>339,394</u>	<u>(245,375)</u>	<u>16,957,971</u>
Operating income	<u>\$ 4,871,056</u>	<u>31,227</u>	<u>659</u>	<u>4,902,942</u>
Reportable segment assets	<u>\$ 32,842,783</u>	<u>845,470</u>	<u>(696,664)</u>	<u>32,991,589</u>

(3) Product and service information: Please refer to note 6(21).

(4) Geographic information

A. Net revenue from external customers: Please refer to note 6(21).

B. Non-current assets:

	December 31, 2024	December 31, 2023
Taiwan	\$ 8,137,310	7,537,068
South Korea	1,811,574	1,982,084
Singapore	1,168,433	1,274,915
Other countries	555,839	262,426
Total	<u>\$ 11,673,156</u>	<u>11,056,493</u>

Non-current assets included property, plant and equipment, right of use assets, intangible assets, and other non-current assets.

(5) Major customers: Please refer to note 6(21).

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Loans to other parties

For the year ended December 31, 2024

Table 1

(Amounts in Thousands)

No. (Note 1)	Name of Lender	Name of Borrower	Account Name	Related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance (Note 4)	Actual Usage Amount During the Period	Range of Interest Rates During the Period	Purposes of Fund Financing for the Borrower (Note 2)	Transaction Amount for Business Between Two Parties	Reasons for Short- Term Financing	Loss Allowance	Collateral		Individual Funding Loan Limits (Note 3)	Maximum Limit of Fund Financing (Note 3)	Note
													Item	Value			
0	Lotus Pharmaceuti cal Co., Ltd.	Lotus Pharma Bulgaria EOOD	Other receivables from related parties	Yes	96,209	-	-		2	-	Operating funding	-	-	-	8,472,170	8,472,170	Note 5 &6
1	Lotus International Pte. Ltd.	Alvogen (Thailand) Ltd.	Other receivables from related parties	Yes	1,633,024	1,633,024	1,434,092	4.8~6.1%	2	-	Operating funding	-	-	-	3,284,127	3,284,127	Note 5
1	Lotus International Pte. Ltd.	Lotus Healthcare Philippines Corp.	Other receivables from related parties	Yes	32,705	32,705	9,811	4.9%	2	-	Operating funding	-	-	-	3,284,127	3,284,127	Note 5
2	NCS	Meishi Pharma Services Private Limited	Other receivables from related parties	Yes	85,060	84,641	84,641	10.0%	2	-	Operating funding	-	-	-	132,797	132,797	Note 5

Note 1: The numbers denote the following:

(1) The issuer is number 0.

(2) Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: Purposes of fund financing for the borrower:

1. For those companies with business transactions with the company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

Note 3: (1) The total amount available for lending purpose shall not exceed 40% of the Company's net worth as stated in its latest financial statement.

(2) Lotus International Pte. Ltd., Lotus Healthcare Philippines Corp. and Alvogen (Thailand) Ltd. are foreign companies that directly or indirectly 100% held by the Company; the individual funding loan limits and the maximum limit of fund financing were both 100% of the lender's net worth as stated in its latest financial statement.

(3) According to NCS policy for loans granted, the individual funding loan limits and the maximum limit of fund financing were both 60% of its audited net worth.

Note 4: The ending balance is the valid loan amount approved by the Board of Directors.

Note 5: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Note 6: The loan has been fully repaid in November 2024.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2024

Table 2

(Shares in Thousands/ Amounts in Thousands)

Company Names	Marketable Securities Types and Names	Relationship with the Company	Financial Statement Accounts	Ending Balance				Highest Holding During the Year	Note
				Shares/Units	Carrying Amount	Percentages of Ownership	Fair Value		
The Company	International Green Solution, Inc.	-	FVTPL - non-current	2	-	0.07 %	-	0.07 %	Note
The Company	NAGH	Other related party	FVTPL - non-current	55	3,188,859	-	3,188,859	-	
Alvogen Korea	Korea Pharmaceutical Industry Cooperative	-	Other non-current assets	65 shares	1,419	0.65 %	1,419	0.65 %	
Lotus Japan Holdings Co., Ltd.	Fuji Pharma Co., Ltd.	-	FVOCI - non-current	1,219	405,177	4.99 %	405,177	5.01 %	

Note: The securities had no quoted market prices, thus, the Group listed their net investment value as fair value as of December 31, 2024.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT\$300 million or 20% of the capital stock

For the year ended December 31, 2024

Table 3

(Shares in Thousands)
(Amounts in Thousands)

Company Names	Marketable Securities Types and Names	Financial Statement Accounts	Name of Counterparty	Relationship with the company	Beginning Balance		Purchases		Adjustments (Note1)	Sales				Ending Balance		Note
					Shares	Amount	Shares	Amount		Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	
The Company	Teva Pharma (Thailand) Co., Ltd.	Investments accounted for using equity method	-	-	-	-	462	1,368,693	30,871	-	-	-	-	462	1,399,564	Note 2
The Company	Lotus International Pte. Ltd.	Investments accounted for using equity method	-	-	60,600	1,614,563	43,000	1,406,293	944,034	-	-	-	-	103,600	3,964,892	Note 2
Lotus International Pte. Ltd.	Teva Pharma (Thailand) Co., Ltd.	Investments accounted for using equity method	-	-	-	-	51	152,076	3,431	-	-	-	-	51	155,507	Note 2

Note 1: The adjustment includes the changes in the Company's share of equity subsidiaries, including profit or loss of subsidiaries attributable to the Company and exchange differences on translating foreign financial statements.

Note 2: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100
million or 20% of the capital stock
For the year ended December 31, 2024

Table 4

(Amounts in Thousands)

Company Names	Related Parties	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Accounts Receivable		Note
			Purchase/ Sales	Amounts	Percentages of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Accounts Receivable	
The Company	Alvogen Inc.	Other related party	Sales	5,647,042	30.39%	90~180 days	-	-	2,754,433	38.19%	
The Company	Adalvo Limited	Other related party	Sales	1,240,392	6.67%	120 days	-	-	798,193	11.07%	
Lotus Pharma Bulgaria EOOD	Alvogen Inc.	Other related party	Sales	2,098,993	11.29%	90~150 days	-	-	1,696,365	23.52%	

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20%
of the capital stock
December 31, 2024

Table 5

(Amounts in Thousands)

Company Names	Related Parties	Nature of Relationship	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period (Note 1)	Expected Credit Loss Allowance
					Amount	Action Taken		
The Company	Alvogen Inc.	Other related party	2,754,433	1.61	1,439,433 (Note 2)	Expect to collect in the first quarter of next year	1,583,905	-
The Company	Adalvo Limited	Other related party	798,193	1.89	370,565 (Note 3)	Expect to collect in the first quarter of next year	209,888	-
Lotus Pharma Bulgaria EOOD	Alvogen Inc.	Other related party	1,696,365	3.27	1,129,789 (Note 2)	Expect to collect in the first quarter of next year	856,053	-

Note 1: As of March 5, 2025.

Note 2: Past due less than 90 days.

Note 3: \$309,557 was past due less than 90 days; \$61,008 was past due over than 90 days.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2024

Table 6

(Amounts in Thousands)

No. (Note 1)	Company Names	Counterparties	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Items	Amounts	Trading Terms	Percentages of the Consolidated Net Revenue or Total Assets (Note 4)
0	The Company	Lotus Pharma Bulgaria EOOD	1	Accounts receivable—related parties	757,461	(Note 3)	1.89 %
0	The Company	Lotus Pharma Bulgaria EOOD	1	Royalty income	829,943	(Note 3)	4.47 %
0	The Company	Lotus International Pte. Ltd.	1	Purchase	590,911	(Note 3)	3.18 %
1	Lotus International Pte. Ltd.	Alvogen Korea	2	Sales	197,711	(Note 3)	1.06 %
2	Alvogen (Thailand) Limited	Teva Pharma (Thailand) Co., Ltd.	2	Sales	214,259	(Note 3)	1.15 %

Note 1: The characters of business transactions between the parent company and its subsidiaries are coded as follows:

- (1) The parent company is number 0.
- (2) Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: The nature of relationship is as follows:

- (1) represents parent company to subsidiary
- (2) represents subsidiary to subsidiary

Note 3: The intercompany transaction terms are determined in accordance with mutual agreements.

Note 4: Other transactions with an amount less than 1% of the consolidated net revenue or total assets were not disclosed.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2024

Table 7

(Shares in Thousands)
(Amounts in Thousands)

Investor Companies	Investee Companies	Locations	Main Businesses and Products	Original Investment Amounts		Balance as of December 31, 2024			Highest Holding During the Year	Net Income (Losses) of Investee	Investment Income (Losses) (Note 1)	Notes
				December 31, 2024	December 31, 2023	Shares	Percentages of Ownership	Carrying Amount (Note 1)				
The Company	Lotus International Pte. Ltd.	Singapore	Investment business and sale of medicine	3,279,987 (USD 103,600)	1,873,694 (USD 60,600)	103,600	100.00 %	3,964,892	100.00 %	837,024	848,197	
The Company	Lotus Pharmaceutical, HK Ltd.	Hong Kong	Data collection and agent services in Hong Kong	967 (HKD 250)	967 (HKD 250)	250	1.56 %	(19)	1.56 %	(9,478)	(148)	
The Company	Alvogen Korea Holdings	Korea	Investment business	4,858,270 (USD 157,029)	4,858,270 (USD 157,029)	1,457	100.00 %	3,767,642	100.00 %	350,978	548,200	Note 2
The Company	Alvogen India	India	Investment business	298,509 (USD 9,950)	298,509 (USD 9,950)	512	100.00 %	200,916	100.00 %	28,848	23,371	Note 2
The Company	Lotus Japan Holdings Co., Ltd.	Japan	Sale of medicine and clinical machine retail	623,647	623,647	-	100.00 %	433,787	100.00 %	10,696	10,696	
The Company	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	3,859 (USD 131)	3,859 (USD 131)	40	2.52 %	4,835	2.52 %	41,789	22,492	
The Company	Avos Pharma Science Co., Ltd.	Taiwan	Biotech technological consulting services, clinical machine retail and related consulting services	100	100	-	100.00 %	312	100.00 %	(4)	(4)	
The Company	Teva Pharma (Thailand) Co., Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	1,368,693 (USD 41,648)	-	462	90.00 %	1,399,564	90.00 %	16,831	2,018	
Lotus International Pte. Ltd.	Lotus Support Services SRL	Romania	Pharmaceutical regulatory affairs project management services	3,010	3,010	44	100.00 %	14,087	100.00 %	3,965	3,965	
Lotus International Pte. Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	142,237 (USD 4,655)	142,237 (USD 4,655)	1,530	97.45 %	57,661	97.45 %	41,789	(19,876)	
Lotus International Pte. Ltd.	Lotus Alvogen Malta Ltd.	Malta	Sale of pharmaceuticals and medicinal chemical products and related consulting services	1,419 (EUR 42)	1,419 (EUR 42)	42	100.00 %	3,841	100.00 %	149	149	

Investor Companies	Investee Companies	Locations	Main Businesses and Products	Original Investment Amounts		Balance as of December 31, 2024			Highest Holding During the Year	Net Income (Losses) of Investee	Investment Income (Losses) (Note 1)	Notes
				December 31, 2024	December 31, 2023	Shares	Percentages of Ownership	Carrying Amount (Note 1)				
Lotus International Pte. Ltd.	Lotus Pharmaceutical, HK Ltd.	Hong Kong	Data collection and agent services in Hong Kong	59,029 (HKD 15,749)	59,029 (HKD 15,749)	15,749	98.44 %	(1,197)	98.44 %	(9,478)	(9,330)	
Lotus International Pte. Ltd.	Lotus Healthcare Malaysia Sdn. Bhd.	Malaysia	Marketing activities and healthcare consultancy	7 (MYR 1)	7 (MYR 1)	1	100.00 %	389	100.00 %	205	205	
Lotus International Pte. Ltd.	Lotus Healthcare Philippines Corp.	Philippines	Marketing activities and healthcare consultancy	59,763 (PHP 106,658)	59,763 (PHP 106,658)	106,658	100.00 %	16,566	100.00 %	(22,583)	(24,134)	
Lotus International Pte. Ltd.	Lotus Pharma Bulgaria EOOD	Bulgaria	Marketing activities and healthcare consultancy	8,503 (BGN 538)	8,503 (BGN 538)	538	100.00 %	1,014,079	100.00 %	989,189	989,189	
Lotus International Pte. Ltd.	Lotus Pharma ehf.	Iceland	Marketing activities and healthcare consultancy	106 (ISK 500)	106 (ISK 500)	500	100.00 %	2,313	100.00 %	698	698	
Lotus International Pte. Ltd.	Meishi Pharma Services Private Limited	India	Management consultancy service	37 (INR 100)	37 (INR 100)	10	100.00 %	(18,791)	100.00 %	(9,935)	(9,935)	
Lotus International Pte. Ltd.	Meishi Pharma Service Pte. Ltd.	Singapore	Management consultancy service	-	-	-	100.00 %	(93)	100.00 %	-	-	
Lotus International Pte. Ltd.	Teva Pharma (Thailand) Co., Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	152,076 (USD 4,628)	-	51	10.00 %	155,507	10.00 %	16,831	224	
Lotus Pharmaceutical, HK Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	30 (USD 1)	30 (USD 1)	-	0.03 %	17	0.03 %	41,789	(14)	

Note 1: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Note 2: The main financial statements of the Company's subsidiary Alvogen Korea Holdings and Alvogen India are their consolidated financial statements.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Information on investment in Mainland China
For the year ended December 31, 2024

Table 8

(Amounts in Thousands)

(1) The names of investees in Mainland China, the main businesses and products, and other information

Investee Companies	Main Businesses and Products	Total Amounts of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2024	Net Income of the Investee	Percentages of Ownership	Highest Percentage of Ownership During the Year	Investment Income	Carrying Amount	Accumulated Inward Remittance of Earnings as of December 31, 2024
					Outflow	Inflow							
Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited (Note 2)	Consultation on health management, health technology, trading information, market planning, and business information	911	(Note 1)	911	-	-	911	1,092	100.00%	100.00%	1,092	(1,357)	-
Lotus Biotech (Shanghai) Limited (Note 3)	Consulting on health technology, chemical drugs, chemical reagents, biotech technology consulting, and biotech production	20,100	(Note 1)	20,100	-	-	20,100	-	-	-	-	-	-

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
21,011	21,011	12,708,255

Note 1: Reinvestment in Mainland China through another investee in a third area.

Note 2: The investment amount has been approved by the Investment Commission, MOEA No. 10700074190.

Note 3: The investment amount has been approved by the Investment Commission, MOEA No. 092031304 and No. 09500181300. Lotus Biotech (Shanghai) Limited has been divested in 2017, with the approval of the Investment Commission, MOEA No. 10800070030.

Note 4: The amount limit is in accordance with No. 006130 issued by the Ministry of Finance on November 16, 2001 and No. 09704604680 issued by the Investment Commission, MOEA on August 29, 2008.