

Lotus

Lotus Pharmaceutical Co., Ltd.

2023

Annual Report

Publication Date: April 10th, 2024

This Annual Report can be found on the following websites:
Market Observation Post System: <http://mops.twse.com.tw/mops/web/index>
Company Website: <http://www.lotuspharm.com.tw>

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I. Letters to Shareholders

1.1 Operational Overview for the Year 2023

In 2023, Lotus once again demonstrated outstanding performance, continuing our streak of double-digit revenue and profit growth for five consecutive years. This achievement is attributed to our dual-engine growth strategy focusing on the Asia-Pacific and global export markets over the past five years, along with our transformation into a global pharmaceutical company with a diversified product portfolio. Consolidated revenue for Lotus in 2023 reached NT\$16.958 billion, marking a 16% increase compared to 2022. Consolidated net profit after tax amounted to NT\$4.106 billion, representing a significant 36% growth from the previous year, with earnings per share of NT\$15.72. This remarkable performance sets new records in Lotus's operational history.

1.2 FY2023 financial results

Unit: M NTD

Item \ Year		FY2022	FY2023
P&L	Sales	14,633	16,958
	Gross profit	7,806	9,384
	Net Income	3,021	4,106
Profitability	ROE (%)	24.22%	26.32%
	Net Profits (%)	20.64%	24.21%
	EPS (NTD)	\$11.59	\$15.72

Note: The company does not prepare financial forecasts. The main expenditure items in the consolidated financial statements include R&D expenses, business development investments, and capital expenditures for equipment excellency, serving as the driving force for future product launches and profit growth.

1.3 R&D Ability and Regulatory Progress

Lotus has deepened its presence in the Asia-Pacific and global export markets. In 2023, revenue from the Asia-Pacific market grew by 21% compared to the previous year, driven by the growth in Taiwan and the steady expansion in Southeast Asian markets. Revenue from global export markets also increased by 10%, primarily due to the growth in sales of Buprenorphine/Naloxone and Lenalidomide. This growth is not incidental but a result of diligent execution by our management team. We focus on developing complex oral oncology generics and 505(b)2 drugs. In 2023, five products completed clinical bioequivalence testing, and seven new product development projects were initiated. We obtained 77 regulatory approvals in major markets worldwide, including significant milestones such as temporary approval for Nintedanib for the treatment of lung cancer in the United States, Pomalidomide for second line treatment for blood cancer in Canada, and Lenalidomide approval in Japan. Furthermore, we introduced a new drug for small cell lung cancer treatment Zepzelca, successfully obtaining accelerated approval in Taiwan, demonstrating Lotus's robust R&D capabilities and regulatory execution.

1.4 Product Portfolio and Licensing Agreements

Lotus's product portfolio is diverse, focusing on innovation and not limited by R&D capacity. In 2023, we signed 25 business development licensing agreements, including acquisition of global commercial rights for NRX-101, a drug for suicidal bipolar patients, enriching our future product portfolio. Additionally, we signed 29 product licensing out agreements for self-development products, further expanding our reach into global markets. In 2023, 27 skull of new products were launched globally.

1.5 Production Excellency and Quality Management

Our Nantou production facility has been certified by regulatory authorities in the United States, European Union, Brazil, Japan, China, and Taiwan, providing a crucial competitive advantage for Lotus's expansion into global export markets. We will continue to upgrade production equipment, enhance quality management systems, refine production process planning, and improve warehouse inventory management to sustain our growth and achieve sustainable development.

1.6 Market Outlook and Future Development

According to a study by IQVIA in April 2023, the global pharmaceutical market is projected to grow at a compound annual growth rate of 5.4% over the next five years, reaching \$1.8 trillion by 2027. Growth in regions such as North America, Western Europe, and Japan is expected to slow, while regions such as the Asia-Pacific, Latin America, India, and Africa/Middle East are poised for higher growth due to population expansion. In response to these international market trends, we are committed to implementing a dual-track growth strategy focusing on difficult-to-develop generic drugs and 505b2 drugs. We will also continue to expand our global market presence through licensing agreements, strengthen collaboration with global strategic partners, and provide affordable medicines to global patients, meeting market demands. This is a key factor in Lotus's continued success in achieving historic growth milestones.

1.7 Corporate sustainability

At Lotus, our mission is to provide affordable medical solutions to patients worldwide. In recent years, we have successfully transformed from a domestic company focusing on the development of complex generics into a global pharmaceutical company with hybrid product portfolio, attracting talented individuals from around the world. Currently, we have over 1,300 employees globally, with nearly 10% of our workforce in Taiwan hailing from 14 different countries. To promote cultural understanding and cooperation among employees, we have implemented thoughtful initiatives in internal communication, employee meals, and special celebrations. Additionally, with a gender ratio of parity among employees and a 6:4 ratio among senior executives, we provide equal opportunities for career advancement. In recognition of our efforts, Lotus received the "Asia's Best Employer Award" from HR Asia in 2023. In the same year, we achieved several breakthroughs, including the publication of our first sustainability report based on the GRI framework in both Chinese and English, and the report is which assurance by independent 3rd party, demonstrating our commitment to enhancing corporate governance.

1.8 Outlook

Lotus will continue to focus on implementing a dual-track growth strategy in the Asia-Pacific and global export markets, expanding our market presence, and enhancing our product portfolio to lay a solid foundation for long-term growth. We firmly believe that through relentless effort and ongoing innovation, Lotus will continue to create value, benefiting shareholders, employees, and society, and contribute to a brighter future for all.

Chairman: Vilhelm Róbert Wessman



CEO: Petar Antonov Vazharov



CFO: Eeling Chan



II. Company Profile

2.1 Date of Establishment:

Founded on: June 30, 1966

Office: 17F., No. 277 Songren Road, Xinyi District, Taipei City

Tel: (02) 2700-5908

Manufacturing facility: No. 30, Chenggong 1st Road, Nantou City, Nantou County

Tel: (049)225-0411

2.2 Milestones:

- 1966 Lotus Pharmaceutical, Ltd. is founded.
- 1968 Lotus Pharmaceutical, Ltd. is restructured as Lotus Pharmaceutical Co., Ltd.
- 1980 Construction of new manufacturing facility at Nangang Industrial Park in Nantou City is completed in response to growing demand.
- 1987 The Nantou manufacturing facility is certified by the Ministry of Economic Affairs as a GMP-compliant pharmaceutical plant.
- 1990 A bioequivalence study for Mesyrel (trazodone tablets) is approved by the Department of Health (now the Ministry of Health and Welfare). Mesyrel is subsequently approved by the Department of Health and listed for post-market surveillance (first-in-Taiwan drug)
- 1992 Decision to move into the development of specialty generic drugs, invest in the development of new drugs undergoing monitoring, sustained release drugs, bioequivalence tests, and bioavailability tests.
- 1993 A bioequivalence study for Befon (baclofen tablets) is approved by the Department of Health.
- 1994 Mesyrel (trazodone tablets) acquires the approval of the Bureau of Drug Administration, Ministry of Public Health of the People's Republic of China and begins distribution in Mainland China.
- 1996 R&D and launch of Forflow SR (pentoxifylline tablets)
- 1998 Launch of Bensau (benzonatate) capsules and Ichderm (Doxepin) cream under post-market surveillance (first-in-Taiwan drug)
- 1999 R&D and launch of Muaction SR (tramadol hydrochloride tablets)
Mesyrel (trazodone tablets) is awarded the National Biotechnology and Medical Care Quality Award
- 2000 Launch of Nimed (nimesulide) tablets under post-market surveillance (first-in-Taiwan drug)
- 2001 Launch of Apano (mifepristone) tablets under post-market surveillance (first-in-Taiwan drug)
- 2002 R&D and launch of Musgud (cyclobenzaprine hydrochloride) tablets and Detosiv (dextromethorphan) tablets under post-market surveillance (first-in-Taiwan drug)
Lotus passes Stage 2 review of Taiwan cGMP
Apano (mifepristone tablets) and Erdotin (erdosteine capsules) are awarded the 2nd Pharmaceutical Technology Research and Development Award and the Orphan Drug R&D and Manufacturing Award by the Ministry of Health and Welfare, Executive Yuan.

- 2004 Completion of supplemental procedures for public issuance
 Lotus passes Stage 3 review by Taiwan cGMP
 Design of US FDA-compliant facility expansion begins
 Lotus is awarded the Industrial Sustainable Excellence Award by the Ministry of Economic Affairs.
 Lotus is awarded the Pharmaceutical Technology Research and Development Gold, Silver, and Bronze Awards.
 Lotus is awarded the Biotechnology Commercialization Silver Award at the 1st Taipei Biotech Awards.
- 2006 US FDA-compliant facility expansion is completed. Furil (tegafur/uracil capsules) is submitted to Taiwan FDA (TFDA) for inspection and registration. The product is approved in July of 2008.
- 2007 Construction of independent production area for hormonal agents is completed. Facility expansion passes inspection by the Ministry of Health and Welfare.
- 2008 Levetiracetam IR is submitted to US FDA for review; and receives approval for different dosage forms between 2010 and 2016.
- 2009 Construction begins on Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S) compliant facility. Facility passes inspection by TFDA.
 Anti-inflammatory drug Mefenamic Acid (250mg) is submitted to US FDA for inspection and registration. The product is approved in June of 2014.
- 2010 The Company is listed on the Taipei Stock Exchange under stock ticker 1795.
 Levonorgestrel (1.5mg) is submitted to US FDA for inspection and registration. The product is approved in June of 2015.
 Manufacturing facility passes its first US FDA inspection. Construction is completed on this manufacturing facility for specialized cancer drugs with high potency and high toxicity. Lotus receives the Biotechnology Commercialization Silver Award at the 2010 Taipei Biotech Awards and is awarded a Silver and Bronze at the Pharmaceutical Technology Research and Development Awards by the Ministry of Health and Welfare, Executive Yuan.
 Antiepileptic drug Levetiracetam ER (500mg/750mg) is submitted to US FDA for inspection and registration. The product is approved in June of 2016 and is first shipped to the US in April of 2017.
- 2011 TFDA inspects the new manufacturing facility, including the specialized oncology manufacturing facility, the softgel encapsulation machines, and the large-scale film coating machines.
 The International Development Project for Three Niche Generic Drugs from Europe and America is approved by Ministry of Economic Affairs. Research and development of Orlistat (60mg/120mg), Temozolomide (5mg/20mg/100mg/140mg/180mg/250m), and Paricalcitol (1mcg/2mcg/4mcg) begins.
 First shipment of Antiepileptic drug Levetiracetam IR (500mg) to the US.
 Lotus receives the PIC/S GMP Compliance Award from the Ministry of Health and Welfare, Executive Yuan.
 Contraceptive drug Levonorgestrel (0.75mg) is submitted to US FDA for inspection and registration. The product is approved in September of 2016.
 Antiepileptic drug Levetiracetam IR (500mg) obtains drug permit license in Taiwan.

Levonorgestrel (0.75mg) is submitted to TFDA for inspection and registration.
Brain tumor drug Tamos (Temozolomide) obtains TFDA approval and enters production.

Calcium Acetate is submitted to US FDA for registration. The product is approved in July of 2016.

Thalidomide (50mg) is submitted to TFDA for registration. The product is approved in July of 2012.

Anti-addiction drug Desud Plus (Buprenorphine/Naloxone) approved in Malaysia.
Antiepileptic drug Levetiracetam ER (500mg/750mg) approved in Taiwan and enters production.

- Jan, 2012 Antitussive drug Benzonatate (softgel capsules) is submitted to TFDA for registration. The product is approved in July of 2013.
- May, 2012 Brain tumor drug Tamos (Temozolomide 100mg) is submitted to Malaysia's ACTD for registration. This is the first case of an oncology drug submitted to other Asian countries for inspection and registration.
- Jul, 2012 Orlistat (60mg/120mg) is submitted to TFDA for registration. The product is approved in May of 2013.
- Aug, 2012 Collaboration with 8 Japanese pharmaceutical companies including Meiji Seika Pharma Co., Ltd., Nipro Pharma Corporation, Kyowa Pharmaceutical Industry Co., Ltd., and ASKA Pharmaceutical Co., Ltd. to develop anti-cancer drug TS-1 (Tegafur/Gimeracil/Oteracil). The product is approved in August of 2013.
Manufacturing facility passes inspection by US FDA.
- Sep, 2012 Orli Capsules (Orlistat 60mg) is submitted to US FDA for registration. Lotus challenges Paragraph IV (PIV) certifications.
- Oct, 2012 Orphan drug Thalidomide (50mg) is submitted to TFDA for registration. The product is approved in June of 2014.
- Dec, 2012 Manufacturing facility passes first inspection by the EMA.
- Jan, 2013 Buprenorphine/Naloxone (sublingual tablets) is submitted to TFDA for registration. The product is approved in September of 2014.
- Feb, 2013 First shipment of oncology drug TS-1 (20mg) to Japan. The product passes first GMP inspection by the PMDA.
- Sep, 2013 Brain tumor drug Tamos (Temozolomide) is submitted to US FDA for registration. The product is approved in April of 2016 and is first shipped to the US in March of 2017 followed by more approvals to European countries later the same year.
- Mar, 2014 Lotus provides CDMO services to TaiGen Biotechnology Co., Ltd. on the development and manufacturing of Taigexyn Capsules (Nemonoxacin 250mg). TaiGen Biotechnology later obtains drug permit license in Taiwan.
- Aug, 2014 Lotus forms strategic alliance with Alvogen in which Alvogen acquires 67% of Lotus' shares through private placement of common shares rights offerings and becomes its majority shareholder. Lotus acquires Alvogen's subsidiaries in Korea, Taiwan, and India, blossoming into the company it is today. Through this M&A, Lotus acquires the US distribution rights to Buprenorphine/Naloxone sublingual film and Budesonide ER, which is later successful in the PIV patent challenge. Lotus also acquires the APAC distribution rights of the two biosimilar drugs developed by Alvotech, an affiliate of Alvogen.

- Sep, 2014 Manufacturing facility passes inspection by the EMA.
First shipment of nonsteroidal anti-inflammatory drug Mefenamic Acid Capsules (250mg) to the US.
- Nov, 2014 Brain tumor drug Tamos (Temozolomide) is submitted to the Korea's Ministry of Food and Drug Safety (MFDS) for registration. The product is approved in December of 2015 and is launched in December of 2016
- Dec, 2014 Korean subsidiary Kunwha Pharmaceuticals acquires Dream Pharma, the Korean market leader in anti-obesity drugs.
- Jan, 2015 US FDA accepts submission for the registration of Budesonide ER Original manufacturer files lawsuit.
- Apr, 2015 US FDA accepts submission for the registration of Buprenorphine/Naloxone sublingual film. Original manufacturer files lawsuit.
- Jun, 2015 The merger of Korean subsidiary Kunwha Pharmaceuticals and Dream Pharma into Alvogen Korea.
Manufacturing facility passes inspection by US FDA.
Contraceptive drug Levonorgestrel Tablets (1.5mg) approved in the US. The product is shipped to the US in September.
- Oct, 2015 Exclusive distribution agreement for antipsychotic drug Seroquel SR (Quetiapine) in the Korean market is signed by Alvogen Korea and AstraZeneca Korea. Oral contraceptive drug Gveza is submitted to TFDA for registration and approved in December of 2016.
- Jan, 2016 Venotropic drug Diosmin completes transfer of drug permit license in Taiwan and is launched in the second half of 2016.
- Apr, 2016 Lotus acquires oral contraceptive brand Mercilon (Desogestrel/EE) from Bayer and commences its distribution in Korea.
- Oct, 2016 Exclusive distribution agreement for 3 oncology drugs in the Korean market is signed by Alvogen Korea and AstraZeneca Korea. An official team responsible for oncology business in Korea is established.
- Nov, 2016 The clinical research facility of Indian indirectly-owned subsidiary Norwich Clinical Services passes inspection by US FDA.
- Dec, 2016 Lotus breaks the monopoly of brand name drugs in Taiwan and launches the cancer drug Alvotinib (Imatinib).
- Jan, 2017 Lotus divests Trazodone to Chinese pharmaceutical company, and continues to manufacture this product through OEM services.
- Mar, 2017 Oncology drug Methotrexate is submitted to US FDA for registration.
- Apr, 2017 Lotus acquires the osteoporosis-infusion drug Aclasta (Zoledronic acid) from Novartis AG, completes the transfer of its Taiwan drug permit license, and distributes the product in Taiwan. The product is Lotus's first injection product and its first step into osteoporosis therapeutic area and hospital-oriented brand name drugs.
- Aug, 2017 CDMO generic drug Norethisterone/Ethinylestradiol (1mg/0.035mg) obtains the official approval of Japan's PMDA.
- Sep, 2017 Application for drug licenses for generic drug TS-1 (20mg and 25mg) is officially approved by Korea's Ministry of Food and Drug Safety (MFDS).

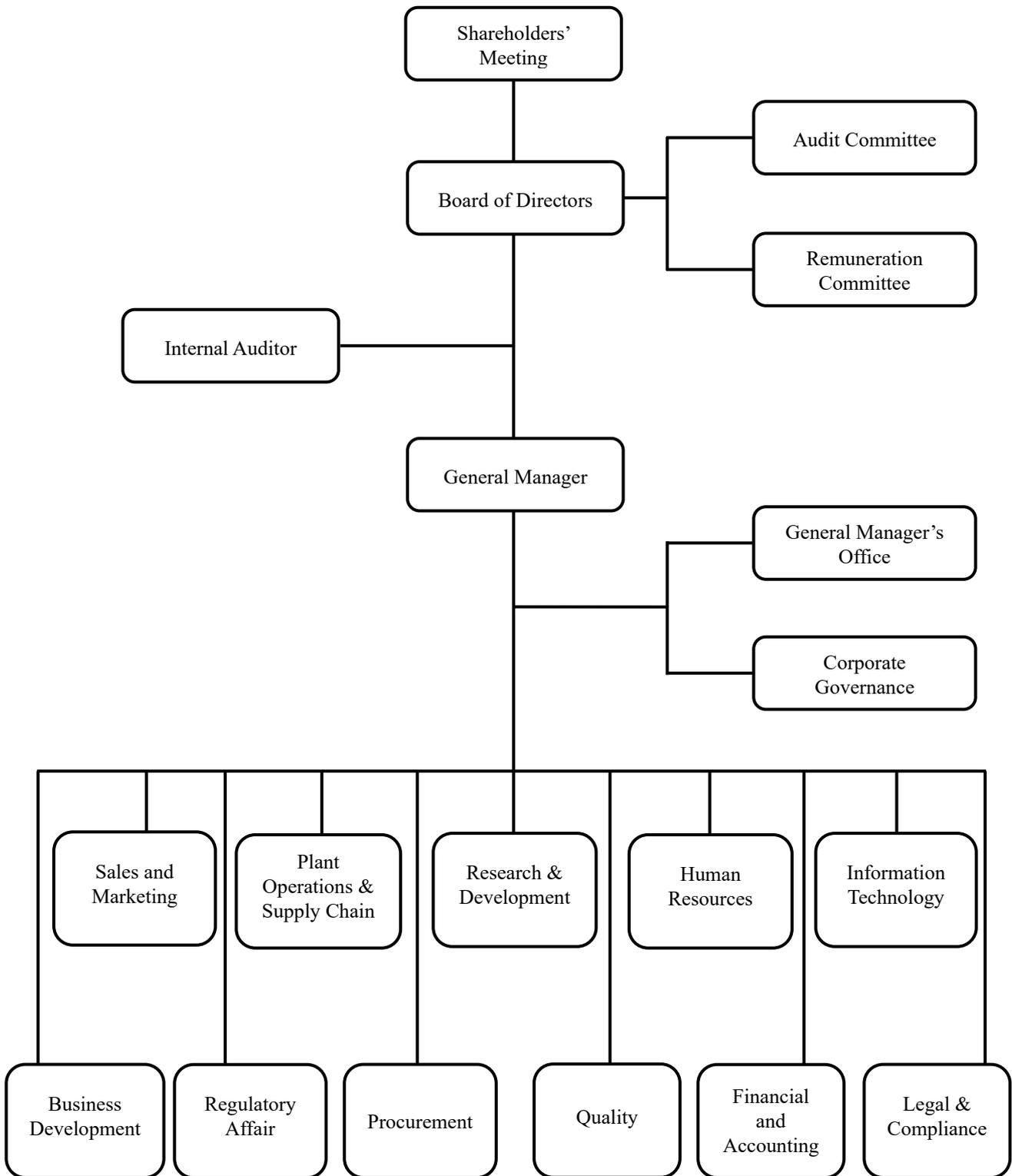
- In March of 2017, Lotus submitted an abbreviated new drug application (ANDA) for REVLIMID generic Lenalidomide and submits the Paragraph IV certification of REVLIMID's patent listed in the Orange Book. The patent holder therefore files an infringement suit against Lotus and Alvogen USA.
- Oct, 2017 Successful patent challenge for Budesonide ER, the generic version of ulcerative colitis drug UCERIS.
- Dec, 2017 Lotus is recognized by Corporate LiveWire as the 2017 winner of the Pharmaceutical Research Company of the Year. Blood cancer drug Linli Capsules (Lenalidomide 25mg) obtains TFDA approval.
- Jan, 2018 Nantou facility passes US FDA inspection US FDA for the fourth time.
- Mar, 2018 Successful patent challenge for Buprenorphine/Naloxone, the generic drug for opioid use disorder (OUD).
- Apr, 2018 Generic drug Lenalidomide Capsules (2.5mg/5mg/7.5mg/10mg/15mg/20mg/25mg) obtains approval from the EU through the DCP.
- Jun, 2018 Generic drug Lenalidomide (25mg) obtains Korea drug license
- Aug, 2018 CDMO generic drug Norethisterone/Ethinylestradiol Ultra-Low-Dose (ULD) (1mg/0.02mg) obtains the official approval of Japan's PMDA.
Acelleular Dermis Kerecis, Lotus's first class II medical device submission, is officially approved by TFDA.
- Sep, 2018 Generic drug Gefitinib (250mg) obtains approval from the EU through DCP.
- Feb, 2019 Launch of the Buprenorphine/Naloxone sublingual film for OUD treatment in the US.
- Mar, 2019 Settles Revlimid patent lawsuits with Celgene.
- Apr, 2019 Forms strategic alliance with Japan based Fuji Pharma Co., Ltd through a private placement of rights offering of 4,913,220 common shares.
- Jul, 2019 The U.S. Federal Circuit Court of Appeals uphold the Delaware district court ruling that Alvogen, and therefore Lotus, does not infringe indivior patents.
Lotus is recognized by BioAsia Taiwan as the 2019 winner of the Year. Lotus receives EIR report from US FDA today with "No Action indicated" for Nantou facility.
- Aug, 2019 Alvogen Korea receives final approval of Qsymia capsule 7.5mg/46mg from MFDS.
- Dec, 2019 The Company is successfully moves to the Taiwan Stock Exchange from Taipei Exchange.
- Sep, 2020 Generic drug Lenalidomide Capsules (2.5mg, 5mg, 10mg ,15mg ,20mg and 25mg) receives tentative approval from the US FDA.
Lotus receives 2020 Asia Responsible Enterprise Awards.
- Feb, 2021 Manufacturing facility passes first inspection by the Brazil ANVISA.
- Apr, 2021 Forms strategic alliance with Thailand based Innobic LL Holding Co., Ltd. through a private placement of rights offering of 17,517,348 common shares.
Generic drug Methotrexate Tablets USP, 2.5 mg receives approval from the US FDA.
- Sep, 2021 Lotus is the first time shortlisted in "Global Generics & Biosimilars Awards 2021 for Company of the Year, Asia Pacific".
Lotus receives 2021 Asia Responsible Enterprise Awards for Corporate Governance Category.

- Jan, 2022 Alvogen Korea receives final approval of Alymsys® from MFDS.
Launch of the first generic of Vinorelbine oral formulation in Taiwan.
- Feb, 2022 Launch of the generic drug Lenalidomide Capsules for treatment of multiple myeloma in 14 countries across Europe.
- Mar, 2022 Generic drug Lenalidomide Capsules and Gefitinib Tablets receives approval from the Philippines.
- Apr, 2022 Lotus receives final approval of Alymsys® from TFDA.
- Aug, 2022 Lotus receives 2022 Best Companies to Work for in Asia.
Generic drug Midostaurin Softgel Capsules receives tentative approval from the US FDA.
- Sep, 2022 Launch of the generic drug Lenalidomide Capsules for treatment of multiple myeloma in the US.
- Dec, 2022 Lotus receives 2022 Corporate Excellence Award.
- Jan, 2023 Generic drug Nintedanib Capsules receives tentative approval from the US FDA.
- Mar, 2023 Lotus receives the final approval for its ANDA for Lenalidomide Capsules, 2.5 mg and 20 mg from the US FDA.
- Jun, 2023 Lotus, in collaboration with Alvogen US, has entered into an exclusive agreement with NeuroRx Inc. to develop, manufacture, and commercialize NRX-101.
- Jul, 2023 Lotus receives 2023 Best Companies to Work for in Asia.
Transfer of equity by corporate directors and major shareholders - Hong Kong-based Alvogen Emerging Markets Holdings Limited, accounting for 9.56% of the total issued shares at the time of the transfer.
- Aug, 2023 Lotus and Fuji Pharma Co., Ltd. joint product received the approval for Lenalidomide Capsules, 2.5 mg and 5 mg from the Japan PMDA.
Capital injection in Lotus International Pte. Ltd.
- Sep, 2023 Capital injection in the major subsidiary, Alvogen Korea Holdings Ltd.
- Feb, 2024 ALYSSA® film-coated tablets have been awarded the SNQ National Quality Label Certification for the year 2023.

III. Corporate Governance

3.1 Organization:

3.1.1 Organization Chart:



3.1.2 Business Responsibilities of Major Departments:

Department	Roles and Responsibilities
General Manager's Office	Development of the Company's strategic development plan; setting long-term operational goals; conducting evaluation and follow-up of Company projects.
Corporate Governance	Implementing corporate governance ensures the integrity of business operations and compliance with laws, while also managing stock-related affairs. It involves maintaining relationships with regulatory authorities and shareholders, providing ongoing education for directors, and coordinating the operations of the board of directors, functional committees, and shareholder meetings. Execution of sustainable development practices ensures the company's stable operation and continuous growth towards sustainability.
Internal Audit	Evaluation and follow-up of the Company's internal control system and the soundness, legitimacy, and effectiveness of its administrative systems.
Sales and Marketing	Sales of various products, in line with the company's business growth to achieve performance targets. Develop customers, understand customer needs, and provide solutions.
Business Development	Facilitates building the company portfolio by assessing potential acquisition targets, acquiring portfolios, specific license transactions as well as other business opportunities
Quality	Provide quality assurance to production; oversee all GMP related activities and reports; inspect and sign off SOP of all production batches, inspection batches and other necessary documentations.
Plant Operations & Supply Chain	Planning and administration of manufacturing affairs; production of products whose quality and specifications comply with US FDA, EMA, PMDA, and cGMP standards, All planning activities, including demand planning, supply planning, export delivery planning, B2B and CMO planning.
Procurement	All procurement activities in key markets of operation from direct materials, indirect and Capex items procurement.
Research and Development	Investigation of potential R&D targets and development into new products with commercial value. Execution of new-product and new-dosage-form projects, including clinical trials, bioavailability tests, and bioequivalence tests. Applications for and enforcement of intellectual property rights.
Regulatory Affair	Review of drug inspection/registration documents to ensure validity and approval Provision of legal information relevant to drug inspections/registration.
Financial and Accounting	Planning and handling of the Company's cash and funding management; handling of the Company's accounting operations and the compilation of management reports for the management team as references to strategize. Planning and execution of operations related to tax affairs. Strategic Investment and Investor Relations and Media Communication
Information Technology	Establishing a high-efficiency corporate information system, integrating various internal information security, and application platforms. The main tasks are to promote the efficiency of each department's operations and to improve the quality of work
Human Resources	Improvement of the strategic planning and structure of human resources; planning and administration of the Group's employee training. Planning and handling of strategic compensation. Execution and administration of general affairs.
Legal & Compliance	Responsible for the legal risk management of the entire group, review of legal documents, handling of litigation cases, compliance with laws and regulations, investigation of significant employee misconduct, and matters related to corporate physical security.

3.2 Information of Directors, General Manager, Vice Presidents, Assistant Vice Presidents, and Officers of Departments and Branches:

3.2.1 Information of Directors

1. Information of Directors and Independent Directors

April 15th, 2024(Note7); Unit: shares

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (in years)	Date First Elected	Shareholding when Elected		Current Shareholding		Current Shareholding of Spouse & Minor Children		Shareholding by Nominee Arrangement		Major Education and Work Experience	Current Positions at Lotus or Other Companies	Other Officers, Directors, or Supervisors who are the Spouse or a Relative Within Two Degrees of Kinship			Remarks (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Hong Kong	Alvogen Emerging Markets Holdings Ltd.	-	2023.06.15	3	2014.09.29	134,064,369	50.60	108,968,519	41.13	-	-	-	-	-	-	-	-	-	N/A
	Iceland	Vilhelm Róbert Wessman (Note 2)	M 51~55	2023.06.15	3	2015.04.23	-	-	-	-	-	-	-	-	Bachelor's degree in Business Administration and Management, University of Iceland Founder, Alvotech ehf. CEO, Actavis Generics Group	Chairman and CEO, Alvogen Group Director, Alvogen Lux Holdings S.A.R.L. Director, Alvogen IPCo S.A.R.L. Director, Alvogen Pharma US, Inc. Director, Alvogen Iceland ehf.	N/A	N/A	N/A	N/A
Director	Bulgaria	Petar Antonov Vazharov (Note 2)	M 46~50	2023.06.15	3	2016.08.22	-	-	1,070,000	0.40	-	-	-	-	Medical Doctorate, Sofia University of Medicine MBA, University of Sofia "St. Kliment Ohridski" Senior Manager of Global Business Development, Actavis Generics	CEO, Lotus Pharmaceutical Co., Ltd. Director, Alvogen Korea Holdings Ltd. Director, Alvogen Korea Co., Ltd. Director, Lotus International Pte. Ltd. Director, Alvogen (Thailand) Ltd. Director, Lotus Pharmaceutical (Shanghai) Health Management Consulting Ltd. Director, Lotus Japan Holdings Co., Ltd. Director, Lotus Healthcare Malaysia Sdn. Bhd. Director, Lotus Healthcare Philippines Corp. Director, Lotus Pharma Bulgaria EOOD Director, Meishi Pharma Services Pte. Ltd.	N/A	N/A	N/A	N/A
Director	Iceland	Árni Hardarson (Note 2, 5,6)	M 56~60	2024.03.26	3	2014.09.29	-	-	-	-	-	-	-	-	Master's degree in law, University of Iceland Iceland Partner, Deloitte Iceland (responsible for heading the Tax and Legal departments) Vice President of Tax and Structure, Actavis Generics General Counsel of Alvogen Deputy CEO of Alvogen Teacher at Reykjavik University and Iceland University – International Tax Law and Corporate Law	Board Director, Alvogen US Supervisor, Alvogen Korea Holdings Ltd. Supervisor, Alvogen Korea Co., Ltd. Co Chairman, Aztiq Pharma Partners Board Director, Alvotech	N/A	N/A	N/A	N/A

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (in years)	Date First Elected	Shareholding when Elected		Current Shareholding		Current Shareholding of Spouse & Minor Children		Shareholding by Nominee Arrangement		Major Education and Work Experience	Current Positions at Lotus or Other Companies	Other Officers, Directors, or Supervisors who are the Spouse or a Relative Within Two Degrees of Kinship			Remarks (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Thailand	Nat Ativitavas (Note 2, 5)	M 46~50	2023.09.04	3	2023.09.04	-	-	-	-	-	-	-	-	Civil Engineering, Chulalongkorn University Master of Science in Civil Engineering and Ph.D. in Civil Engineering, the University of Texas at Austin Executive Vice President, PTT Public Co., Ltd. Managing Director, Innobic (Asia) Co., Ltd.	Managing Director, Innobic (Asia) Co., Ltd. Director, Inter Pharma Public Co., Ltd. Director, Alvogen Emerging Markets Holdings Ltd. Director, Alvogen Korea Holdings Ltd.	N/A	N/A	N/A	N/A
Director	Thailand	Krisana Winitthumkul (Note 2)	F 61~65	2023.06.15	3	2022.11.23	-	-	-	-	-	-	-	-	B.Sc. in Pharmacy, Chiang Mai University, Thailand Director, Innobic (Asia) Co., Ltd.	Director, Innobic (Asia) Co., Ltd. Consultant, Regulatory Affairs Pharmacy Association (Thailand) Academic Sub-Committee, The College of Industrial Pharmacy of Thailand Special Instructor at Faculty of Pharmaceuticals, Chiang Mai University	N/A	N/A	N/A	N/A
Director	Thailand	Phannalin Mahawongtikul (Note 2)	F 56~60	2023.06.15	3	2022.06.30	-	-	-	-	-	-	-	-	B.Acc., Thammasat University, Thailand MBA, Thammasat University, Thailand CFO, PTT Exploration and Production Public Co., Ltd. EVP – Corporate Finance, PTT Public Co., Ltd. Director, Energy Complex Co., Ltd.	CFO, PTT Public Co., Ltd. Director and Chairman of the Risk Management Committee, Thai Oil Public Co., Ltd. Director, Golbal Power Synergy Public Co., Ltd.	N/A	N/A	N/A	N/A
Director	USA	Oranee Tangphao Daniels (Note 2)	F 56~60	2023.06.15	3	2022.06.30	-	-	-	-	-	-	-	-	Master of Science in Cardiovascular Pharmacology, Mc Master University Former Chief Medical Officer, Antiva Bioscience and Antiva Biosciences Pty VP, Clinical Pharm & Exp Medicine, Theravance	Director and Endowment Fund Administrator, Soroptimist International of San Francisco Independent Clinical Development Advisor for Pharma/Biotech industry	N/A	N/A	N/A	N/A
Director	Switzerland	Yves Hermes (Note 2)	M 56~60	2023.06.15	3	2022.06.30	-	-	-	-	-	-	-	-	Bachelor of Economics and Finance, University of Geneva, Switzerland Founder and Managing Director, Yves Hermes Healthcare Consultancy Area Director South East Asia, Zuellig Pharma	Managing Director, Yves Hermes Healthcare Consultancy Director, Jaloux SA	N/A	N/A	N/A	N/A

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (in years)	Date First Elected	Shareholding when Elected		Current Shareholding		Current Shareholding of Spouse & Minor Children		Shareholding by Nominee Arrangement		Major Education and Work Experience	Current Positions at Lotus or Other Companies	Other Officers, Directors, or Supervisors who are the Spouse or a Relative Within Two Degrees of Kinship			Remarks (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Iceland	Hjorleifur Palsson	M 60~65	2023.06.15	3	2015.04.23	-	-	-	-	-	-	-	-	Cand Oecon Finance and Accounting, University of Iceland Chairman of the Board of Directors and Chairman of the Board of Trustees, Reykjavik University Chairman of the Board, Syn/Vodafone Iceland EVP and CFO, Össur hf. (a global Orthotic and Prosthetic company listed at Nasdaq Copenhagen) Partner and Director, Deloitte & Touche Iceland State Authorized Public Accountant, The Institute of State Authorized Public Accountants in Iceland	Member, Investment Committee, Akur fjarfestingar slhf. Director, Ankra ehf. Director, Brunnur ventures slhf. Member, Audit Committee, Director, Festi hf. Director, Ankra ehf. Director, Brunnur Ventures slhf. Director, Brandr Global ehf. Member of Audit Committee, Landsbankinn hf. Chairman of Nomination Committee, Icelandair Group hf. Member of Audit Committee, Harpa Concert Hall and Conference c. Director, UNICEF Iceland	N/A	N/A	N/A	N/A
Independent Director	Sweden	Karl Alexius Tiger Karlsson (Note3,4)	M 46~50	2023.06.15	3	2023.06.15	-	-	-	-	-	-	-	-	Marketing and Business Administration, George Mason University Executive MBA, Harvard Business School Founder, Chief Executive Officer, and Board Member, Bluefish Pharmaceuticals	Founder, Executive Chairman, and Board Member, Newbury Pharmaceuticals AB Board Member / Seed Investor, Alsakali Equity AB Board Member, One Genomics AI Labs AB	N/A	N/A	N/A	N/A
Independent Director	R.O.C	Jennifer Wang (Note3,4)	F 51~55	2023.06.15	3	2023.06.15	-	-	-	-	-	-	-	-	Master of Laws, Columbia University Master of Laws, National Taiwan University Bachelor's degree in Law, National Taiwan University Partner, Chen & Lin Attorneys-at-Law	Partner, Chen & Lin Attorneys-at-Law Independent Director, O-Bank Co., Ltd. Independent Director, TXC Co. Ltd.	N/A	N/A	N/A	N/A

Note 1: For cases in which a company's chairman and general manager (top-level manager) are the same person or spouses or relatives within the first degree of kinship, the reason for, legitimacy of, and necessity for such an arrangement shall be explained, along with the precautions taken (e.g., increasing the number of Independent Directors and ensuring that the majority of Directors do not hold concurrent posts as employees or officers):NA

Note 2: Representative of Alvogen Emerging Markets Holdings Ltd.

Note 3: Karl Alexius Tiger Karlsson and Jennifer Wang were appointed as Independent Directors upon re-election of the Board of Directors on June 15th, 2023.

Note 4: Independent Directors Benjamin Ku and Han-Fei Lin resigned upon re-election of the Board of Directors on June 15th, 2023.

Note 5: Nat Ativitavas was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Árni Hardarson, on September 4th, 2023.

Note 6: Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Thor Kristjansson, on March 26th, 2024.

Note 7: It's the information of the book closure date (April 15) of the 2024 annual general meeting of shareholders.

2. Main shareholders of institutional shareholders:

Table 1. List of Main Shareholders of Institutional Shareholders

Institutional Shareholder	Main Shareholder of Institutional Shareholder	Shareholding Ratio (%)
Alvogen Emerging Markets Holdings Limited	Aztiq II Bidco Limited	100.00

Table 2. List of Main Shareholders of the Institutional Shareholders in Table 1 Whose Main Shareholders Are Institutional Shareholders

Institutional Shareholder	Main Shareholder of Institutional Shareholder	Shareholding Ratio (%)
Aztiq II Bidco Limited	Aztiq II Holdco Limited	100.00

3. Professional background of Directors and independent status of Independent Directors

Criteria Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies in Which Subject Serves as Independent Director
Vilhelm Róbert Wessman (Note 1)	Vilhelm Róbert Wessman is known for his clear focus and his ability to successfully combine operational efficiency and external growth through strategic acquisitions. Vilhelm Róbert Wessman has grown Alvogen's revenue by an impressive 67% CAGR over the past six years, or by 59% on an organic basis. He has also overseen a number of strategic acquisitions and partnerships during that time. A business graduate and former lecturer at the University of Iceland, Vilhelm Róbert Wessman began his career at the Icelandic shipping company Samskip where he quickly advanced to the post of CEO in Germany. In 1999, he became President and CEO of Delta, which later formed Actavis. Vilhelm Róbert Wessman was CEO of Actavis Group, which became one of the largest generic pharmaceutical companies in the world for nine years.	No circumstances stipulated in Article 30 of the Company Act apply to Vilhelm Róbert Wessman. Neither Róbert nor his spouse and minor children are employees of Lotus. There is no relationship between spouses or relatives within the second degree of kinship.	N/A
Petar Antonov Vazharov (Note 1)	Petar Antonov Vazharov is the Executive Vice President of APAC, responsible for executing the growth strategy across the APAC market. Petar joined Alvogen Group in 2009, after 9 years with the generic pharmaceutical company Actavis Group in various roles, and has demonstrated his ability to lead the CEE business by delivering 75% CAGR of EBITDA from 2013 to 2015. Petar graduated with a medical doctor's degree from Sofia University of Medicine in 1999 and has an MBA degree from the University of Sofia "Kliment Ohridski" in October 2007.	No circumstances stipulated in Article 30 of the Company Act apply to Petar Antonov Vazharov. There is no relationship between spouses or relatives within the second degree of kinship.	N/A
Árni Hardarson (Note 1, 4, 5)	Árni Hardarson is a director on Alvotech's and Alvogen's Board of Directors as well as being a Co Chairman of Aztiq. Prior to joining Alvogen in 2009, Árni worked for Deloitte in Iceland where he headed the Tax and Legal departments and soon went on to become a partner and member of the Executive Management Committee for Deloitte in 2001. In 2005 Árni joined Actavis as Vice President of Tax and Structure. During his tenure there, he worked closely with Vilhelm Róbert Wessman and contributed to Actavis' transformation from a regional manufacturer into a global pharmaceutical company, by engineering numerous company acquisitions that ultimately led to Actavis' presence in over 40 countries around the world. Árni holds a Master's degree in Law from the University of Iceland and is a member of the Icelandic Bar Association.	No conditions defined in Article 30 of the Company Law apply to Árni Hardarson. Árni, his spouse and children do not hold shares, and are not employees of Lotus.	N/A
Nat Ativitavas (Note 1, 4)	Nat Ativitavas joined Lotus' Board of Directors on September 4th, 2023. Currently, Nat serves as the Managing Director at Innobic (Asia) Company Limited and the Executive Vice President of PTT Public Company Limited. Nat possesses a Ph.D. degree in civil engineering from the University of Texas at Austin and has rich experience in project management in the oil, gas, and petrochemical business. Recently, Nat has played a critical role in PTT's business expansion into the area of life science.	No circumstances stipulated in Article 30 of the Company Act apply to Nat Ativitavas. Neither Nat nor his spouse and minor children hold shares of Lotus; nor are they employees of Lotus. There is no relationship between spouses or relatives within the second degree of kinship.	N/A

Criteria Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies in Which Subject Serves as Independent Director
Krisana Winitthumkul (Note 1)	<p>Ms. Krisana Winitthumkul is the Director at Innobic (Asia) and, working closely with Thai Health Authorities and associations to drive the change in regulatory requirements, actively participates in ASEAN Harmonization for Pharmaceutical Registration. She is also involved in monitoring the external environment, which impacts the healthcare industry, and strengthens collaboration and regulatory reform activities in the Thai Health System.</p> <p>Ms. Krisana has more than 30 years of experience in the pharmaceutical industry. She was the Regulatory Affairs and Quality Assurance Lead of Roche Thailand Limited and worked at other big pharma in charge of regulatory affairs. In addition, she has served as the Vice President of the Regulatory Affairs Pharmaceutical Association of Thailand (RAPAT) for a long time, accumulating rich experience in regulations. Ms. Krisana obtained her Bachelor's degree in Pharmacy from Chiang Mai University, Thailand, and her Certificate from Sasin Executive Education Center.</p>	<p>No circumstances stipulated in Article 30 of the Company Act apply to Ms. Krisana Winitthumkul.</p> <p>Neither Krisana nor her spouse and minor children hold shares of Lotus; nor are they employees of Lotus.</p> <p>There is no relationship between spouses or relatives within the second degree of kinship.</p>	N/A
Phannalin Mahawongtikul (Note 1)	<p>Ms. Phannalin Mahawongtikul joined Lotus' Board of Directors on June 30th, 2022. She is the Chief Financial Officer of PTT Public Company Limited and is also the Chairman of the Risk Management Committee at Thai Oil Public Company Limited.</p> <p>Ms. Phannalin obtained both her MBA and Bachelor of Accounting from Thammasat University.</p>	<p>No circumstances stipulated in Article 30 of the Company Act apply to Ms. Phannalin Mahawongtikul.</p> <p>Neither Phannalin nor her spouse and minor children hold shares of Lotus; nor are they employees of Lotus.</p> <p>There is no relationship between spouses or relatives within the second degree of kinship.</p>	N/A
Oranee Tangphao Daniels (Note 1)	<p>Ms. Oranee Tangphao Daniels joined Lotus' Board of Directors on June 30th, 2022. Ms. Oranee has more than 30 years in the pharma industry. She worked for Eli Lilly as a Clinical Pharmacologist/ Clinical Research Physician and Amgen as Director to Executive Director. She previously served as the Chief Medical Officer at Antiva Biosciences, a novel topical therapies development company focusing on pre-cancerous lesions caused by HPV.</p> <p>Ms. Oranee holds a Master's degree in Cardiovascular Pharmacology from Mc Master University and graduated from Chulalongkorn University with a Bachelor of Medicine (MD) and completed her residency in Internal Medicine. She was also a Post-Dec then Research Associate at Stanford University from 1994 to 2000.</p>	<p>No circumstances stipulated in Article 30 of the Company Act apply to Ms. Oranee Tangphao Daniels. Neither Oranee nor her spouse and minor children hold shares of Lotus; nor are they employees of Lotus.</p> <p>There is no relationship between spouses or relatives within the second degree of kinship.</p>	N/A
Yves Hermes (Note 1)	<p>Mr. Yves Hermes joined Lotus' Board of Directors on June 30th, 2022. After several years at PwC Geneva, he worked at SGS Asia Pacific as a Financial Analyst and became Managing Director for SGS Korea and Japan from 2000-2005. Mr. Hermes was then heading Zuellig Pharma Taiwan, then Zuellig Pharma Thailand, and from 2015 to 2021 served as Area Director for Southeast Asia at Zuellig Pharma before he founded his own company – Yves Hermes Healthcare Consultancy, in 2021.</p> <p>Mr. Hermes graduated from the University of Geneva, Switzerland, and obtained a Bachelor of Economics and Finance.</p>	<p>No circumstances stipulated in Article 30 of the Company Act apply to Mr. Yves Hermes.</p> <p>Neither Yves nor his spouse and minor children hold shares of Lotus; nor are they employees of Lotus.</p> <p>There is no relationship between spouses or relatives within the second degree of kinship.</p>	N/A
Hjorleifur Palsson	<p>Mr. Palsson is an experienced Non-Executive Board member. Since 2010, he has served on boards in different sectors at listed and private companies, investment funds and academia. Amongst others, he has served as the Chairman of the Board at Reykjavik University from 2014 to 2022 and a board member and a Chairman at Vodafone Iceland from 2013 to 2022.</p> <p>Mr. Palsson was EVP and CFO of a leading medical device company, listed on NASDAQ OMX Copenhagen, from 2001 to 2013. He gained comprehensive experience in leading Accounting, Planning, Investor Relations, Financing, Corporate M&A, Human Resources and Business Information Services there. Prior to that, Mr. Palsson was a partner and a Board member at Deloitte & Touche in Iceland where he practiced as a State Authorized Public Accountant.</p>	<p>Mr. Palsson was not elected as a representative of a governmental or juridical person pursuant to Article 27 of the Company Act. No circumstances stipulated in Article 30 of the Company Act apply to Mr. Palsson; nor have there been any application of the circumstances stipulated in Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p> <p>Neither Mr. Palsson nor his spouse and minor children hold shares of Lotus; nor are they employees of Lotus.</p>	0
Karl Alexius Tiger Karlsson (Note2,3)	<p>Mr. Karl Karlsson joined Lotus' Board of Directors as an independent director on June 15th, 2023. Mr. Karlsson has nearly 20 years in the pharma industry. He worked for Bluefish Pharmaceuticals as a founder, Chief Executive Officer, and Board Member. He is currently the founder and Executive Chairman of Newbury Pharmaceuticals AB, a rapidly growing hybrid pharmaceutical company for specialty</p>	<p>Mr. Karl Karlsson was not elected as a representative of a governmental or juridical person pursuant to Article 27 of the Company Act. No circumstances stipulated in Article 30 of the Company Act apply to Mr. Karl Karlsson; nor have there been any application</p>	0

Criteria Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies in Which Subject Serves as Independent Director
	prescription drugs, innovation, and brands with a focus on the Scandinavian markets. Mr. Karlsson studied marketing and business administration at George Mason University and has an Executive MBA degree from Harvard Business School in 2013.	of the circumstances stipulated in Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Neither Mr. Karl Karlsson nor his spouse and minor children hold shares of Lotus; nor are they employees of Lotus.	
Jennifer Wang (Note2,3)	Ms. Wang joined Lotus' Board of Directors as an independent director on June 15th, 2023. Ms. Wang currently serves as a partner lawyer at Chen & Lin Attorneys-at-Law, with over 20 years of professional experience providing legal services to clients in various industries. Since 2016, she has also served as an independent director at TXC Corporation, and since 2023, she has also served as an independent director at O-Bank Corporation. Ms. Wang holds a Master of Laws degree from National Taiwan University and pursued further studies in corporate law, securities, and mergers and acquisitions at Columbia Law School in the United States in 2002. She obtained a second Master of Laws degree in 2003 and passed the New York State Bar Examination.	Ms. Wang was not elected as a representative of a governmental or juridical person pursuant to Article 27 of the Company Act. No circumstances stipulated in Article 30 of the Company Act apply to Ms. Wang; nor have there been any application of the circumstances stipulated in Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Neither Ms. Wang nor her spouse and minor children hold shares of Lotus; nor are they employees of Lotus.	2

Note 1: Representative of Alvogen Emerging Markets Holdings Ltd.

Note 2: Karl Alexius Tiger Karlsson and Jennifer Wang were appointed as Independent Directors upon re-election of the Board of Directors on June 15th, 2023.

Note 3: Independent Directors Benjamin Ku and Han-Fei Lin resigned upon re-election of the Board of Directors on June 15th, 2023.

Note 4: Nat Ativitavas was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Árni Hardarson, on September 4th, 2023.

Note 5: Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Thor Kristjansson, on March 26th, 2024.

4. Diversity and Independence of the Board of Directors:

(1) Diversity:

(A) To strengthen corporate governance and enhance the sound development of the composition of the Board of Directors, the Company invites Directors who have multiple and complementary capabilities. Accordingly, candidates come from various industries and possess fundamental requirements and values (e.g., gender, age, nationality, and culture), professional backgrounds (e.g., management, financial, taxation and law), professional skills, industry experience, and the ability to make operational judgments, conduct active management, manage crisis, and demonstrate leadership abilities.

The Company has 8 Directors and 3 Independent Directors on the Board of Directors; the members have relevant backgrounds and significant experience in management, taxation, law, etc. The Company focuses on the financial expertise of Board members, aiming for a target Director ratio of 40%.

Currently, Director Vilhelm Róbert Wessman, Director Phannalin Mahawongtikul, Director Yves Hermes, Independent Director Hjorleifur Pálsson, and Independent Director Karl Alexius Tiger Karlsson have financial backgrounds, accounting for a ratio of 45%.

The implementation of diversity in the composition of the Board of Directors is disclosed below.

Core Items of Diversity Name of Director	Gender	Nationality	Education	Operational Judgment Competence	Accounting and Financial Analysis Competence	Operation and Management Competence	Crisis Management Competence	Industrial Knowledge	International Market Perspective	Leadership	Decision-making Competence
Vilhelm Róbert Wessman	M	Iceland	Founder of Alvotech ehf. CEO of Actavis Generics Group	✓	✓	✓	✓	✓	✓	✓	✓
Petar Antonov Vazharov	M	Bulgaria	Medical Doctorate, Sofia University of Medicine	✓		✓	✓	✓	✓	✓	✓
Nat Ativitavas	M	Thailand	Civil Engineering, Chulalongkorn University Master of Science in Civil Engineering, the University of Texas at Austin Ph.D. in Civil Engineering, the University of Texas at Austin	✓		✓	✓	✓	✓	✓	✓
Árni Hardarson	M	USA	University of Iceland	✓		✓	✓	✓	✓	✓	✓
Krisana Winitthumkul	F	Thailand	Chiang Mai University, Thailand	✓		✓		✓	✓	✓	✓
Phannalin Mahawongtikul	F	Thailand	MBA, Thammasat University, Thailand	✓	✓	✓	✓	✓	✓		✓
Oranee Tangphao Daniels	F	USA	Master of Science (Cardiovascular Pharmacology), Mc Master University	✓		✓	✓	✓	✓	✓	✓
Yves Hermes	M	Switzerland	Bachelor of Economics and Finance, University of Geneva, Switzerland	✓	✓	✓	✓		✓	✓	✓
Hjorleifur Pálsson	M	Iceland	Master of Economics, University of Iceland	✓	✓	✓		✓	✓	✓	✓
Karl Alexius Tiger Karlsson	M	Sweden	Marketing and Business Administration, George Mason University Executive MBA, Harvard Business School	✓	✓	✓	✓	✓	✓	✓	✓
Jennifer Wang	F	R.O.C.	Master of Laws, Columbia University Master of Laws, National Taiwan University Bachelor's degree in Law, National Taiwan University	✓		✓	✓		✓	✓	✓

(2) Independence:

The Company currently has 3 Independent Directors, two of them have served as independent directors for less than 9 years, and accounting for 27% of Directors. Director Petar Antonov Vazharov serves as an employee of the Company; however, this does not impact Director Petar Antonov Vazharov's objective and independent judgment of the Company's operation. In addition, none of the Directors have a marital relationship or are relatives within the second degree of kinship to any other Director of the Company.

The Company will continue to evaluate the independence of Directors. The evaluation criteria include, but are not limited to, whether the Directors continue to provide operational advice, maintain objective and independent judgment, and whether their actions both inside and outside the Board of Directors are appropriate. All Directors of the Company exhibit the required characteristics under proper circumstances.

3.2.2 Information of General Manager, Vice Presidents, Assistant Vice Presidents, and Officers of Departments and Branches

April 15th, 2024(Note6)); Unit: shares

Title	Nationality	Name	Gender	On-Board Date	Shareholding		Shareholding of Spouse & Minor		Shareholding by Nominee Arrangement		Major Education and Work Experience	Current Positions at Other Companies	Other Officers who are the Spouse or a Relative Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	Bulgaria	Petar Antonov Vazharov	M	2018.01.16	1,070,000	0.40	-	-	-	-	Medical Doctorate, Sofia University of Medicine MBA, University of Sofia "St. Kliment Ohridski" Senior Manager of Global Business Development, Actavis Generics	Director&CEO, Lotus Pharmaceutical Co., Ltd. Director, Alvogen Korea Holdings Ltd. Director, Alvogen Korea Co., Ltd. Director, Lotus International Pte. Ltd. Director, Alvogen (Thailand) Ltd. Director, Lotus Pharmaceutical (Shanghai) Health Management Consulting Ltd. Director, Lotus Japan Holdings Co., Ltd. Director, Lotus Healthcare Malaysia Sdn. Bhd. Director, Lotus Healthcare Philippines Corp. Director, Lotus Pharma Bulgaria EOOD Director, Meishi Pharma Services Pte. Ltd.	N/A	N/A	N/A	N/A
Country Manager	R.O.C.	Stanley Gu	M	2018.01.16	21,000	0.01	-	-	-	-	Deputy General Manager, Chunghwa Yuming Healthcare Co., Ltd. General Manager, Arich Enterprise Co., Ltd.	N/A	N/A	N/A	N/A	N/A
Deputy General Manager of Strategy and Finance	Iceland	Bjartur Shen	M	2018.01.16	40,000	0.02	-	-	-	-	Master of Science in Economics and Corporate Finance, University of Iceland	Director, Alvogen Korea Co., Ltd. Director, Lotus International Pte., Ltd. Director, Lotus (Thailand) Ltd. Director, Lotus Pharmaceutical, HK, Ltd. Chairman and General Manager, Lotus Pharmaceutical (Shanghai) Health Management Consulting Ltd. Director, Lotus Japan Holdings Co., Ltd. Director, Director, Lotus Healthcare Malaysia Sdn. Bhd. Director, Lotus Healthcare Philippines Corp. Director, Lotus Pharma Bulgaria EOOD Director, Lotus Pharma ehf.	N/A	N/A	N/A	N/A
CFO	Malaysia	Eeling Chan	F	2016.11.01	17,000	0.01	-	-	-	-	Bachelor of Commerce, University of Otago, New Zealand Master of Business Systems Monash University, Australia Manager, KPMG Taiwan Corporate Controller, SemiLEDs Corporation Regional controller, Alvogen Asia Pacific	Supervisor, Lotus Pharmaceutical (Shanghai) Health Management Consulting Ltd.	N/A	N/A	N/A	N/A
CIO	R.O.C.	Gwen Hsieh	F	2021.08.02	12,000	0.01	-	-	-	-	Ph.D Program, Computer Science, University of Houston, US Sr. Offering Manager, Security Product Portfolio, IBM	N/A	N/A	N/A	N/A	N/A
Vice President of Operations and Supply Chain	USA	Yingming Yue	M	2022.12.01	-	-	-	-	-	-	MBA, University of Chicago Vice President (Site head), Princeton Laboratories, Charlotte NC	N/A	N/A	N/A	N/A	N/A

Title	Nationality	Name	Gender	On-Board Date	Shareholding		Shareholding of Spouse & Minor		Shareholding by Nominee Arrangement		Major Education and Work Experience	Current Positions at Other Companies	Other Officers who are the Spouse or a Relative Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President of Research and Development	India	Manish Chawla	M	2019.07.08	37,500	0.01	-	-	-	-	Vice President and Site Head, Xylopia President and Site Head, Zydus Cadila Deputy Director, Dr. Reddy's Team Leader, Ranbaxy PhD and M. Pharm, University Institute of Pharmaceutical Sciences, Panjab University	N/A	N/A	N/A	N/A	N/A
Vice President of Quality	Canada	Vamsi Kiran Kosaraju (Note3)	M	2023.11.01	-	-	-	-	-	-	Master's Degree in Microbiology Senior Director, Site Quality Head, Teva Canada Limited	N/A	N/A	N/A	N/A	N/A
Vice President of Legal and Compliance	Bosnia and Herzegovina	Edin Buljubasic	M	2022.12.01	150,000	0.06	-	-	-	-	Graduated as LLB from University of Sarajevo, Bosnia and Herzegovina Bar Exam in Sarajevo, Bosnia and Herzegovina passed Patent and Trademark Attorney exam before Institute for IPR of Bosnia and Herzegovina passed General Counsel of Alvogen Group	Director, Lotus Alvogen Malta Ltd.	N/A	N/A	N/A	N/A
APAC Chief Commercial Officer	Singapore	Valerie Lau (Note 4)	F	2024.02.15	-	-	-	-	-	-	Bachelor of Business–Marketing (Hons), Nanyang Technological University: Head of Asia Pacific, Ascensia Diabetes Care Head of Consumer Healthcare, Sanofi–Aventis Singapore Pte. Ltd, Category Director, The Estée Lauder Companies Inc General Manager, Ciba Vision (Singapore)	N/A	N/A	N/A	N/A	N/A
Vice President of Business Development	India	Prashant Mohan Godse (Note 5)	M	2024.04.01	-	-	-	-	-	-	MBA (Intl. Marketing) Institute of International Business & Research, Pune Director In-Licensing Speciality Brands, EMENA ,Accord Healthcare Ltd.	N/A	N/A	N/A	N/A	N/A
Corporate Governance Officer	R.O.C.	Susan Liao (Note 5)	F	2024.04.01	-	-	-	-	-	-	Master of Finance Seattle University IR Head of the YFY Group IR Manager, Lite-On Tech	N/A	N/A	N/A	N/A	N/A

Note 1: For cases in which a company's chairman and general manager (top-level manager) are the same person or spouses or relatives within the first degree of kinship, the reason for, legitimacy of, and necessity for such an arrangement shall be explained, along with the precautions taken (e.g., increasing the number of Independent Directors and ensuring that the majority of Directors do not hold concurrent posts as employees or officers):None

Note 2: Vice President of Quality of Dennis Tan resign on November 1st,2023

Note 3: Vice President of Quality of Vamsi Kiran Kosaraju on board on November 1st, 2023.

Note 4: APAC Chief Commercial Officer of Valerie Lau on board on February 15th, 2024.

Note 5: Vice President of Business Development of Prashant Mohan Godse and Corporate Governance Officer of Susan Liao on board on April 1st, 2024

Note 6: It's the information of the book closure date (April 15) of the 2024 annual general meeting of shareholders.

3.2.3 Compensation for Directors, General Manager, and Vice Presidents in the Most Recent Year

1. Compensation for Directors and Independent Directors

Record Date: 2023; Unit: NTD in thousands

Title	Name	Directors' Compensation								A+B+C+D total and percentage of net income after tax		Compensation from concurrent position as employee								A+B+C+D+E+F+G total and percentage of net income after tax (%)		Compensation received from joint venture besides subsidiaries or parent company
		Compensation (A)		Pension (B)		Directors' compensation from profit distribution (C) (Note 3)		Business expenses (D)				Salaries, bonuses, and special expenses (E)		Pension (F)		Employee compensation from profit distribution (G)						
		Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Cash	Stock	Cash	Stock	Lotus	From All Consolidated Entities	
Chairman	Alvogen Emerging Markets Holdings Ltd.																					
	Vilhelm Róbert Wessman (Note 3)																					
Director	Petar Antonov Vazharov (Note 3)																					
Director	Thor Kristjansson (Note 3,7)																					
Director	Árni Hardarson (Note 3, 6,7)	13,481	13,481	0	0	0	0	3,300	3,300	16,781 and 0.41%	16,781 And 0.41%	30,593	71,089	0	0	3,086	0	3,086	0	50,460 and 1.23%	90,956 and 2.22%	0
Director	Nat Ativitavas (Note 3,6)																					
Director	Krisana Winitthumkul (Note 3)																					
Director	Phannalin Mahawongtikul (Note 3)																					
Director	Oranee Tangphao Daniels (Note 3)																					

Title	Name	Directors' Compensation								A+B+C+D total and percentage of net income after tax		Compensation from concurrent position as employee								A+B+C+D+E+F+G total and percentage of net income after tax (%)	Compensation received from joint venture besides subsidiaries or parent company
		Compensation (A)		Pension (B)		Directors' compensation from profit distribution (C) (Note 3)		Business expenses (D)				Salaries, bonuses, and special expenses (E)		Pension (F)		Employee compensation from profit distribution (G)					
		Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Cash	Stock	Cash	Stock		
Director	Yves Hermes (Note 3)																				
Independent Director	Hjorleifur Palsson																				
Independent Director	Karl Alexius Tiger Karlsson (Note 4)																				
Independent Director	Jennifer Wang (Note 4)																				
Independent Director	Benjamin Ku (Note5)																				
Independent Director	Han-Fei Lin (Note 5)																				

1. Please state the policy, system, standards, and structure of independent directors' compensation payment, and describe the relevance to the amount of compensation according to the directors' responsibilities, risks, and time invested:
In 2023, the company's independent directors participated in 25 meeting of the board of directors and functional committees. Lotus provide independent directors and Chairman of Committee with reasonable fixed compensation to attract outstanding external professionals to enter the board of directors and continue to enhance its functions.

2. Besides those disclosed in the table above, compensation for paid services (e.g., independent consultants for parent company, all companies listed in the financial statement, and reinvestment business) provided to the companies listed in the current fiscal year: None.

Note 1: The definition above is different from Income Tax Act.

Note 2: The Company shall pay remuneration to Independent Directors based on the involvement and contribution to the Company's operations.

Note 3: Representative of Alvogen Emerging Markets Holdings Ltd.

Note 4: Karl Alexius Tiger Karlsson and Jennifer Wang were appointed as Independent Directors upon re-election of the Board of Directors on June 15th, 2023.

Note 5: Independent Directors Benjamin Ku and Han-Fei Lin resigned upon re-election of the Board of Directors on June 15th, 2023.

Note 6: Nat Ativitavas was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Árni Hardarson, on September 4th, 2023.

Note 7: Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Thor Kristjansson, on March 26th, 2024.

Range of Compensation

Compensation Range of Directors	Names of Directors			
	A+B+C+D totaled		(A+B+C+D+E+F+G) totaled	
	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities
Less than NT\$1,000,000	Árni Hardarson Nat Ativitavas Karl Alexius Tiger Karlsson Benjamin Ku Han-Fei Lin	Árni Hardarson Nat Ativitavas Karl Alexius Tiger Karlsson Benjamin Ku Han-Fei Lin	Árni Hardarson Nat Ativitavas Karl Alexius Tiger Karlsson Benjamin Ku Han-Fei Lin	Árni Hardarson Nat Ativitavas Karl Alexius Tiger Karlsson Benjamin Ku Han-Fei Lin
NT\$1,000,000 (incl.) - NT\$2,000,000 (excl.)	Thor Kristjansson Petar Antonov Vazharov Phannalin Mahawongtikul Krisana Winithumkul Oranee Tangphao Daniels Yves Hermes Hjorleifur Palsson Jennifer Wang	Thor Kristjansson Petar Antonov Vazharov Phannalin Mahawongtikul Krisana Winithumkul Oranee Tangphao Daniels Yves Hermes Hjorleifur Palsson Jennifer Wang	Thor Kristjansson Phannalin Mahawongtikul Krisana Winithumkul Oranee Tangphao Daniels Yves Hermes Hjorleifur Palsson Jennifer Wang	Thor Kristjansson Phannalin Mahawongtikul Krisana Winithumkul Oranee Tangphao Daniels Yves Hermes Hjorleifur Palsson Jennifer Wang
NT\$2,000,000 (incl.) - NT\$3,500,000 (excl.)	Vilhelm Róbert Wessman	Vilhelm Róbert Wessman	Vilhelm Róbert Wessman	Vilhelm Róbert Wessman
NT\$3,500,000 (incl.) - NT\$5,000,000 (excl.)	-	-	-	-
NT\$5,000,000 (incl.) - NT\$10,000,000 (excl.)	-	-	-	-
NT\$10,000,000 (incl.) - NT\$15,000,000 (excl.)	-	-	-	-
NT\$15,000,000 (incl.) - NT\$30,000,000 (excl.)	-	-	-	-
NT\$30,000,000 (incl.) - NT\$50,000,000 (excl.)	-	-	Petar Antonov Vazharov	-
NT\$50,000,000 (incl.) – NT\$100,000,000 (excl.)	-	-	-	Petar Antonov Vazharov
NT\$100,000,000 and above	-	-	-	-
Total	Total of 14 persons	Total of 14 persons	Total of 14 persons	Total of 14 persons

2. Compensation for General Manager and Vice Presidents

Record Date: 2023; Unit: NTD in thousands

Title	Name	Salaries (A)		Pension (B)		Bonuses and Special Expenses (C)		Employee Profit-Sharing Bonus (D)				A+B+C+D totaled and percentage of net income after tax (%)		Compensation received from joint venture besides subsidiaries or parent company
		Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus	From All Consolidated Entities	Lotus		From All Consolidated Entities		Lotus	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Petar Antonov Vazharov	116,947	165,820	0	0	14,192	31,146	9,516	0	9,516	0	140,655 and 3.43%	206,483 and 5.03%	0
Country Manager	Stanley Gu													
Deputy General Manager of Strategy and Finance	Bjartur Shen													
CFO	Eeling Chan													
CIO	Gwen Hsieh													
Vice President of Operations and Supply Chain	Yingming Yue													
Vice President of Research and Development	Manish Chawla													
Vice President of Quality	Dennis Tan (Note 2)													
Vice President of Quality	Vamsi Kiran Kosaraju (Note 3)													
Vice President of Legal and Compliance	Edin Buljubasic													

Note 1: The definition above is different from Income Tax Act.

Note 2: Vice President of Quality of Dennis Tan resign on November 1st,2023

Note 3: Vice President of Quality of Vamsi Kiran Kosaraju on board on November 1st, 2023.

Range of Compensation

Compensation Range of General Manager and Vice Presidents	Names of General Manager and Vice Presidents	
	Lotus	From All Consolidated Entities
Less than NT\$1,000,000	-	-
NT\$1,000,000 (incl.) - NT\$2,000,000 (excl.)	-	-
NT\$2,000,000 (incl.) - NT\$3,500,000 (excl.)	Vamsi Kiran Kosaraju	Vamsi Kiran Kosaraju
NT\$3,500,000 (incl.) - NT\$5,000,000 (excl.)	Dennis Tan,	-
NT\$5,000,000 (incl.) - NT\$10,000,000 (excl.)	Stanley Gu, Eeling Chan, Edin Buljubasic	Stanley Gu, Eeling Chan
NT\$10,000,000 (incl.) - NT\$15,000,000 (excl.)	Gwen Hsieh, Manish Chawla	Gwen Hsieh, Manish Chawla, Dennis Tan
NT\$15,000,000 (incl.) - NT\$30,000,000 (excl.)	Yingming Yue	Yingming Yue, Edin Buljubasic
NT\$30,000,000 (incl.) - NT\$50,000,000 (excl.)	Petar Antonov Vazharov , Bjartur Shen	Bjartur Shen
NT\$50,000,000 (incl.) - NT\$100,000,000 (excl.)	-	Petar Antonov Vazharov
NT\$100,000,000 and above	-	-
Total	Total of ten persons	Total of ten persons

Note: The definition above is different from Income Tax Act.

3. Employees' compensation paid to officers:

Record Date: 2023; Unit: NTD in thousands

	Title	Name	Stock	Cash	Total	Totaled of Net Income After tax (%)
Manager Officers	CEO	Petar Antonov Vazharov	0	9,516	9,516	0.23
	Country Manager	Stanley Gu				
	Deputy General Manager of Strategy and Finance	Bjartur Shen				
	CFO	Eeling Chan				
	CIO	Gwen Hsieh				
	Vice President of Operations and Supply Chain	Yingming Yue				
	Vice President of Research and Development	Manish Chawla				
	Vice President of Quality (Note 1)	Dennis Tan				
	Vice President of Quality (Note 2)	Vamsi Kiran Kosaraju				
	Vice President of Legal and Compliance	Edin Buljubasic				

Note 1: Vice President of Quality of Dennis Tan resign on November 1st,2023

Note 2: Vice President of Quality of Vamsi Kiran Kosaraju on board on November 1st, 2023.

3.2.4 Comparative Analysis of the Percentage of Compensation Paid to Directors, General Manager, and Vice Presidents to Net Profit After Tax over the Past Two Years, and Explanation of Compensation Strategies, Compensation Criteria and Packages, Decision Processes and Correlation Between Strategy and Future Risk:

1. The percentage of net profit after tax of the total compensation paid to the Directors, general manager, and vice presidents of the Company

Unit: NTD in thousands

Year	Compensation for the Directors, General Manager, and Vice Presidents of Lotus	Percentage of Compensation to Net Profit Income After Tax
2023	223,263	5.44%
2022	151,597	5.02%

2. The remuneration of directors and managers of the Company shall be in accordance with the Articles of Association of the Company and the Organizational Regulations of the Remuneration Committee.

In accordance with the Organizational Regulations of the Remuneration Committee, the Company formulates and regularly reviews the policies, systems, standards and structures for the performance evaluation and remuneration of directors and managers, complies with relevant laws and regulations, fully considers the professional ability of directors and managers, the company's operating conditions and their contributions, and at the same time considers the operational risks that the Company may face in the future and the level of its peers, formulates and adjusts reasonable remuneration in a timely manner, so as to seek sustainable operation and risk control of the company.

3.3 Implementation of Corporate Governance:

3.3.1 Board of Directors

A total of 12 Board of Director Meetings were held in 2023. The attendance of the Directors and Independent Directors is tabulated below:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance (%)	Remarks
Chairman	Vilhelm Róbert Wessman	11	1	91.67	(1) Representative of Alvogen Emerging Markets Holdings Ltd. (2) Appointed upon June 15 th , 2023 re-election.
Director	Petar Antonov Vazharov	12	0	100	(1) Representative of Alvogen Emerging Markets Holdings Ltd. (2) Appointed upon June 15 th , 2023 re-election.
Director	Thor Kristjansson	11	0	91.67	(1) Representative of Alvogen Emerging Markets Holdings Ltd. (2) Appointed upon June 15 th , 2023 re-election. (3) Resigned on March 26 th , 2024.
Director	Árni Hardarson	8	1	88.89	(1) Representative of Alvogen Emerging Markets Holdings Ltd. (2) Appointed upon June 15 th , 2023 re-election. (3) Resigned on September 4 th , 2024. (4) Appointed on March 26 th , 2024. (5) Attendance frequency:9
Director	Nat Ativitavas	3	0	100	(1) Representative of Alvogen Emerging Markets Holdings Ltd. (2) Appointed upon September 4 th , 2023. (3) Attendance frequency:3
Director	Krisana Winitthumkul	12	0	100	(1) Representative of Alvogen Emerging Markets Holdings Ltd. (2) Appointed upon June 15 th , 2023 re-election.
Director	Phannalin Mahawongtikul	12	0	100	(1) Representative of Alvogen Emerging Markets Holdings Ltd. (2) Appointed upon June 15 th , 2023 re-election.
Director	Oranee Tangphao Daniels	12	0	100	(1) Representative of Alvogen Emerging Markets Holdings Ltd. (2) Appointed upon June 15 th , 2023 re-election.
Director	Yves Hermes	12	0	100	(1) Representative of Alvogen Emerging Markets Holdings Ltd. (2) Appointed upon June 15 th , 2023 re-election.
Independent Director	Hjorleifur Palsson	10	2	83.33	Appointed upon June 15 th , 2023 re-election.
Independent Director	Benjamin Ku	5	1	83.33	(1) Resigned upon June 15 th , 2023 re-election. (2) Attendance frequency:6
Independent Director	Han-Fei Lin	6	0	100	(1) Resigned upon June 15 th , 2023 re-election. (2) Attendance frequency:6

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance (%)	Remarks
Independent Director	Karl Alexius Tiger Karlsson	6	0	100	(1) Appointed upon June 15 th , 2023 re-election. (2) Attendance frequency:6
Independent Director	Jennifer Wang	6	0	100	(1) Appointed upon June 15 th , 2023 re-election. (2) Attendance frequency:6

Other details:

1. In any of the following circumstances occur in the operation of the Audit Committee, the meeting date, term and session, agenda content, dissenting opinions and reservations or significant recommendations of Independent Directors, the resolutions of the Audit Committee, and the Company's handling of the opinions of the Audit Committee, shall be stated:

(1) Items listed in Article 14-3 of the Securities and Exchange Act: Not applicable since the Company has established the Audit Committee.

The proposals discussed by the Board of Directors were all passed unanimously with no objections expressed by Independent Directors, and all attending Directors voted in favor of each proposal without objections.

(2) Apart from the preceding matters, resolutions adopted by the Board of Directors that were opposed or reserved by Independent Directors with record or written statement: None.

2. The implementation status of Directors abstaining from proposals due to conflicts of interests. The disclosure shall include the name of the Director, proposal content, reasons for recusal, and participation status in the voting:

Board of Directors Meeting Date	Content of Proposal	Reasons for Abstentions by Directors	Results of Voting Counts
May 11 th , 2023	Proposal of FY2023 annual salary adjustments for managerial officers.	Director Petar Antonov Vazharov had conflicts of interest in this case.	Abstained from voting and discussing.
	Proposal of FY2022 annual bonus for managerial officers.	Director Petar Antonov Vazharov had conflicts of interest in this case.	Abstained from voting and discussing.
Jun 2 nd , 2023	Proposal to enter into a Development and License Agreement with NeuroRx Inc. to jointly develop and obtain the global intellectual property rights for a pharmaceutical product, project named NRx-101, which is the therapy for suicidal bipolar depression with the licensing amount for US\$ 15 million.	Directors Vilhelm Róbert Wessman, Petar Antonov Vazharov, and Arni Hardarson had conflicts of interest in this case.	Abstained from voting and discussing.
Aug 10 th , 2023	Proposal of the issuance of Employee Restricted Stock Awards.	Director Petar Antonov Vazharov had conflicts of interest in this case.	Abstained from voting and discussing.
	Proposal of FY2022 annual bonus for managerial officers.	Director Petar Antonov Vazharov had conflicts of interest in this case.	Abstained from voting and discussing.

Note: Director(s) abstained from voting and discussing this case pursuant to Article 206 of the Company Act, under which the provisions of Article 178 shall apply mutatis mutandis.

3. The self-evaluation cycles, periods, scope, method and content of evaluation of the company's board are listed below:

Cycles	Periods	Scope	Method	Content
Each year	FY2023	Board, Board Members, Audit & Remuneration Committees	Self-evaluation by individual board members	Board: Level of participation in the operation of the company, improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the Directors and internal control. Board Members: Alignment of the goals and missions of the company, awareness of the duties of a Director, participation in the operation of the Company, management of internal relationship and communication, the Director's professionalism and continuing education, and internal control.

Cycles	Periods	Scope	Method	Content
				Audit & Remuneration Committees: Participation in the operation of the Company, awareness of the duties of the Functional Committee, improvement of the quality of the Functional Committee's decision making, composition and election of the Functional Committee and internal control

4. The goals to enhance the functions of the Board of Directors for the current and preceding fiscal years, such as establishing an audit committee and enhancing information transparency, along with the evaluation of their implementation status.

(1) Enhancing Director competency

The Company's Directors do not have any spousal or second-degree familial relationships among them, and the operations of the Board of Directors are conducted in accordance with the Rule and Procedures of Board of Directors Meetings. Additionally, during their terms, the current members of the Board have participated in advanced training courses organized by institutions designated under the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies, covering topics related to corporate governance.

Furthermore, concerning the independent director system, the Company has established three independent director positions. These three Independent Directors possess professional expertise in industry knowledge, accounting and financial analysis, law, and other relevant fields. They provide the Board of Directors with professional advice on matters related to the execution of internal control systems, business operations, financial matters, and other relevant proposals. The Company's Audit Committee is composed of these three Independent Directors who actively assist the Board of Directors in supervising the quality and integrity of management's execution of accounting, auditing, financial reporting, and financial control processes.

(2) Information transparency

This financial statement is periodically audited by KPMG. Financial statements and major resolutions of the Board of Directors are disclosed in a timely manner on the Company's website and the information websites as required by law. A designated person is responsible for the collection and disclosure of Company information. Moreover, a spokesperson system has been established to ensure prompt and proper disclosure of significant information for shareholders and stakeholders to refer to regarding the Company's financial and business-related information.

3.3.2 Audit Committee's Operation:

The Company held a total of 9 Audit Committee Meetings in 2023. The attendance record of independent directors is as follows:

Title	Name	Actual Attendance	Attendance by Proxy	Actual Attendance Rate (%)	Remarks
Independent Director	Hjorleifur Palsson	9	0	100	(1) Convener (2) Appointed upon June 15 th , 2023 re-election.
Independent Director	Karl Alexius Tiger Karlsson	6	0	100	(1) Appointed upon June 15 th , 2023 re-election. (2) Attendance frequency:6
Independent Director	Jennifer Wang	6	0	100	(1) Appointed upon June 15 th , 2023 re-election. (2) Attendance frequency:6
Independent Director	Benjamin Ku	3	0	100	(1) Resigned upon June 15 th , 2023 re-election. (2) Attendance frequency:3
Independent Director	Han-Fei Lin	3	0	100	(1) Resigned upon June 15 th , 2023 re-election. (2) Attendance frequency:3

Other details:

1. If the operation of the Audit Committee falls under any of the following circumstances, the date and session of the Audit Committee, content of the agenda items, dissenting opinions, reserved opinions or significant recommendations of Independent Directors, the resolution of the Audit Committee, and the Company's handling of the opinions of the Audit Committee shall be detailed:

(1) The matters listed in Article 14-5 of the Securities and Exchange Act:

Audit Committee Meeting Date	Content of Proposal
3-26 Feb 8 th , 2023	Proposal of the Company's "Assurance and Non-Assurance Services Pre-approval Policy."
3-27 Mar 8 th , 2023	Proposal of the Statements of FY2022 Internal Control System, the Proposal of FY2022 Business Report and Financial Statements, the Proposal of cash distribution from capital surplus, the Proposal of FY2023 audit fees.
3-30 Jun 2 nd , 2023	The Proposal to enter into a Development and License Agreement with NeuroRx Inc. to jointly develop and obtain the global intellectual property rights for a pharmaceutical product, project named NRx-101, which is the therapy for suicidal bipolar depression with the licensing amount for US\$ 15 million.
4-2 Sep 25 th , 2023	The Proposal of the capital injection proposal in Alvogen Korea Holdings Ltd.
4-3 Nov 6 th , 2023	The proposal for the Company to grant guarantee in an amount of up to USD 500,000 to Lotus International Pte. Ltd. in relation to its global corporate credit card program.
All above proposals did not receive any dissenting opinions, reserved opinions, or significant recommendations from Independent Directors, and were approved by all attending Directors without objection.	

(2) Other than the aforementioned matters, items that were not approved by the audit committee but were approved by a majority vote of two-thirds or more of all Directors: None

2. The execution of abstention by Independent Directors on matters concerning conflicts of interest. The name, proposal content, reason for recusal, and participation status of the Independent Director in voting shall be disclosed: None

3. Communication between Independent Directors and the internal audit director and CPAs (including significant matters, methods, and outcomes of communication on the Company's finance and business conditions) is as follows.

(1) The head of internal audit of the Company regularly submits audit reports and communicates the contents of audit reports with independent directors, and reports to the Audit Committee and the Board of Directors on a quarterly basis. In addition, the head of audit of the Company also conducts independent communication with the independent directors from time to time when there is no management team attending the meeting, and the communication channels are smooth and in good condition. The Company's 2023 years of internal audit and independent directors are summarized separately as follows, and disclosed on the company's website:

Meeting Dates	Communication Content	Reserve Opinions of Independent Directors
March 8 th , 2023	1. Explanation of the internal audit execution for the fourth quarter of 2022. Audit projects include engaging in derivatives transactions, lending of funds and making endorsements guarantees to others, acquisition and disposal of assets, financial reporting process, oversea sales procedures, ITGC (including information security), ethical operating management, subsidiary audits - Korea. 2. Explanation of 2022 statement of internal control system.	None
May 9 th , 2023	Explanation of the internal audit execution for the first quarter of 2023. Audit projects include engaging in derivatives transactions, lending of funds and making endorsements guarantees, financing processing, domestic sales process, sales procedures of Korean subsidiary.	None
Aug 9 th , 2023	Explanation of the internal audit execution for the second quarter of 2023. Audit projects include engaging in derivatives transactions, lending of funds and making endorsements guarantees, payroll and compensation, asset manager: CWIP, RD project manager, HR operation: recruitment and resignation procedures.	None
Nov 8 th , 2023	1. Explanation of the internal audit execution for the third quarter of 2023. Audit projects include engaging in derivatives transactions, review of IFRS management and accounting process, lending of funds and making endorsements guarantees, export sale – accounts receivable and collection operations, subsidiary audits – Singapore: intangible assets management, supplier management, procure to pay operations, production cycle: demand planning and production planning procedure, procure to pay operations of subsidiary in Korea. 2. Explanation of 2024 annual audit plan.	None

Meeting Dates	Communication Content	Reserve Opinions of Independent Directors
Dec 19 th , 2023	Introduction to the organization and competency of the internal audit department, explanation of the functions of internal auditing, discussion on focus of 2024 audit projects, discussion on the arrangement of meetings between the Internal Audit Director and the Independent Directors for 2024.	None

(2) The Company's CPAs attend and report on the results of the audit or review of the financial statements of the current quarter when the board of directors reviews the financial statements of the current quarter, and also report to the independent directors on special matters or other communication matters required by relevant laws and regulations, and the communication channels are open and in good condition. The company's 2023 years of separate communication between CPAs and independent directors are summarized as follows, and disclosed on the company's website:

Meeting Dates	Communication Content	Reserve Opinions of Independent Directors
March 8 th , 2023	1. Explanation of the audit results of the financial reports for 2022. 2. Discussion and communication regarding other questions raised by Independent Directors.	None
May 9 th , 2023	1. Explanation of the audit results of the financial reports for the first quarter of 2023. 2. Discussion and communication regarding other questions raised by Independent Directors.	None
Aug 9 th , 2023	1. Explanation of the audit results of the financial reports for the second quarter of 2023. 2. Discussion and communication regarding other questions raised by Independent Directors.	None
Nov 8 th , 2023	1. Explanation of the audit results of the financial reports for the third quarter of 2023. 2. Key Audit Matter report. 3. Discussion and communication regarding other questions raised by Independent Directors.	None

4. Major achievements:

Review of quarterly and annual financial statements, appointment, dismissal, and compensation of CPAs, evaluation of the independent auditors' independence, internal control system and related policies and procedures, significant loans to others and endorsements of guarantees, and significant asset transactions, etc.

3.3.4 Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies:

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
1. Does the Company establish and disclose its Corporate Governance Best Practices Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has adopted the Corporate Governance Best Practice Principles and disclosed it on the Company's website. (https://www.lotuspharm.com.tw/investors/corporate-governance)	Full compliance
2. Shareholding Structure & Shareholders' Rights (1) Does the Company have internal operation procedures for handling shareholders' suggestions, concerns, disputes, and litigation matters? If so, have these procedures been implemented accordingly?	V		The Company has established the Procedures for Handling Material Inside Information and Prevention from Insider Trading and assigned personnel to handle stock-related matters. The Company has also established a spokesperson and deputy spokesperson system to address shareholders' suggestions and clarify related issues. The Company has also engaged external legal counsel to provide consultation services on relevant legal issues.	Full compliance
(2) Does the Company possess the list of major shareholders and beneficial owners of these major shareholders?	V		The Company has designated personnel responsible for stock affairs to manage relevant information and has appointed professional stock agency to assist in handling stock-related matters. Changes in shareholding of directors and managerial officers, pledges, and basic information of juridical person directors and major shareholders are reported and disclosed on the Market Observation Post System.	Full compliance
(3) Has the Company established and implemented a risk management system and firewall mechanism between the Company and its related parties?	V		The company has established the Procedures for Acquisition or Disposal of Assets, regulating transactions between the company and related parties regarding asset acquisition or disposal. The Company has also adopted the Procedures for Loaning of Funds and Making of Endorsements Guarantees, outlining the total amount and duration limitations of loans between the company and related parties. The handling of investment in other companies is conducted in accordance with internal control systems, internal audit systems, and relevant legal regulations to ensure effective risk management and firewall mechanisms. All of these matters are subject to review by the Audit Committee.	Full compliance

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
(4) Has the Company established internal rules prohibiting insider trading based on undisclosed information?	V		The Company has established the Procedures for Acquisition or Disposal of Assets, strictly prohibiting insiders from trading securities using undisclosed material information, in accordance with relevant laws and regulations. Regular and ad-hoc internal awareness and training courses are conducted, and reminders regarding the importance of preventing insider trading and related precautions are sent via email to insiders every month.	Full compliance
3. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors established a diversity policy and management targets for the composition of directors and implemented them accordingly?	V		According to the third chapter of the Corporate Governance Best Practice Principles, which focuses on enhancing the functions of the Board of Directors, and the Rules for Election of Directors, the appointment of directors in the Company follows a candidate nomination system. The composition of the Board of Directors should be formulated with the considerations of the operation of the board itself, the company's business model, and development needs, aiming for appropriate diversification policies. Criteria for the diversity of board members should include but not be limited to basic requirements and values, including gender, age, nationality, and cultural backgrounds, as well as professional knowledge and skills, including legal, accounting, industry, financial, marketing, or technological expertise or industry experience. Currently, among the 8 Directors and 3 Independent Directors of the Company, nationalities include Iceland, Sweden, Bulgaria, Thailand, Switzerland, and Taiwan, with a foreign director ratio as high as 91%. Meanwhile, there are 4 female directors among the current board members, accounting for 36% of the overall board. For details on the composition of professional capabilities, please refer to page 18 of the annual report. The Company's diversity policy and its implementation for the composition of the Company's Board of Directors is also disclosed on the Company's website and on the Market Observation Post System.	Full compliance

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
(2) Besides the Remuneration Committee and the Audit Committee, the establishment of which are required by law, has the Company voluntarily established other functional committees?		V	In accordance with operational needs and corporate governance, the Company currently has established a Remuneration Committee and an Audit Committee. The Company will continue to evaluate its size and operational needs and establish other functional committees accordingly in the future.	Actual operations are consistent with the spirit of corporate governance
(3) Has the Company established an internal rule and a method of evaluating the performance of its Board of Directors, implemented such annual performance evaluations, and submitted the evaluation results to the Board of Directors as a reference for the compensation and future nomination or reelection of individual Directors?	V		The Company has established the Procedures for Performance Evaluation of the Board of Directors, which stipulates that by the end of the first quarter of each year, the performance evaluation of the board and functional committees for the previous year shall be conducted. The evaluation results are then submitted to the board of directors for consideration in individual director's compensation, nomination for re-election, and other related matters. The most recent evaluation results were reported to the board on March 14th, 2024.	Full compliance
(4) Does the Company regularly evaluate the independence of its CPAs?	V		The Audit Committee of the Company regularly evaluates the independence and competence of CPAs yearly, and submits the evaluation results as following to the Board of Directors: 1. The auditor's independence declaration. 2. Ensure the audit partner rotates every five years. 3. Annually evaluate the independence and competence of the external auditor based on the results of the auditor survey and the Audit Quality Indicator (AQI) released by Financial Supervisory Commission regarding the dimensions of profession, quality control, independence, monitoring. The independence and competency of CPAs for 2024 engagement has been resolved by the Audit Committee on March 14,2024 and approved by the Board of Directors on March 14,2024.	Full compliance
4. Has the Company established a full- or part-time corporate governance unit or appointed personnel to be in charge of matters involving corporate governance (including but not limited to providing information required by Directors related to	V		The Company appoints a Corporate Governance Office. In 2023, Bjartur Logi Ye Shen, Vice President of Strategy and Finance, served as the Corporate Governance Officer. Through the resolution of the Board of Directors on March 14th, 2024, the Company appointed Susan Liao, Director of Corporate	Full compliance

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
business operations, handling legal compliance matters related to Board of Directors' Meetings and Shareholder Meetings, and producing minutes of Board of Directors' meetings and Shareholder Meetings)?			<p>Governance Division, as the Corporate Governance Officer to safeguard shareholders' rights and strengthen the function of the board. Susan Liao has over three years of experience serving as an investor relations manager in public listed companies.</p> <p>The main responsibilities of the Corporate Governance Officer include handling matters related to board meetings and shareholders' meetings in accordance with the law, preparing minutes of board meetings and shareholders' meetings, assisting Directors in their appointment and continuous education, providing necessary information for Directors to carry out their duties, and assisting Directors in compliance with laws and regulations.</p> <p>Details of the Corporate Governance Officer's training in the most recent year are as follows. (Note 1)</p>	
5. Has the Company established a means of communication with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) or created a section for stakeholders on the Company's website? Does the Company respond appropriately to stakeholders' questions on major issues of corporate social responsibility?	V		<p>The Company provides diverse and smooth communication channels for stakeholders, including financial institutions, creditors, employees, shareholders, medical professionals, and the community. These channels include the Company's website, among others. (http://www.lotuspharm.com.tw) The website includes information on department heads, their contact numbers, and email addresses. It also features an 'Investors' section where financial business information is disclosed in accordance with laws and regulations, along with corporate governance-related information. The "Contact Us" section provides contact numbers for operational headquarters, research and R&D centers, and production bases. Additionally, it includes a dedicated line for medication orders from medical institutions, a hotline for reporting adverse drug reactions, and an email address for reporting violations of ethics.</p> <p>The table outlining the responsible units, issues related to stakeholders, and communication response methods is as follows, and report to the board on May 9th, 2024. (Note 2)</p>	Full compliance
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has commissioned the Department of Stock Transfer Agency, CTBC Bank Co., Ltd. to assist in handling matters	Full compliance

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
			related to the Company's shareholders' meetings.	
7. Information Transparency (1) Has the Company established a corporate website to disclose information regarding its financial, business, and corporate governance status?	V		The Company has launched a website (http://www.lotuspharm.com.tw) to disclose monthly revenues, quarterly financial statements, recordings of earnings call, materials for shareholders' meetings and their records, and corporate governance-related information. Additionally, the website provides links to the Market Observation Post System. All financial, operational, and corporate governance information pertaining to the Company is disclosed as legally required on the Market Observation Post System.	Full compliance
(2) Has the Company use other information disclosure channels (e.g., maintaining an English website, designating staffs to handle information collection and disclosure, appointing spokespersons, webcasting earning calls)?	V		The Company has appointed designated personnel to collect, disclose, and communicate company information externally. The Company implemented a spokesperson system, appointing both a spokesperson and a deputy spokesperson. The Company has also established an English website. The Company discloses its financial information on the Company website and Market Observation Post System regularly, on a monthly basis. The Company also discloses information about earning calls and provide recordings of these briefings on the website for investors to access.	Full compliance
(3) Does the Company disclose and file annual financial statements within two months of the close of the Company's fiscal year? Does the Company publish its quarterly financial reports and monthly operating reports before their respective deadlines?		V	The Company has yet disclosed and filed its annual financial statement within two months after the close of the Company's fiscal year, but the annual and quarterly financial statements and the monthly operating reports are disclosed and filed in compliance with relevant laws and regulations, before their respective deadlines.	Full compliance
8. Does the Company have information, other than the abovementioned, to be disclosed to facilitate a better understanding of its corporate governance practices? (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, continuous education of Directors, risk management policies and criteria for risk evaluation and their	V		1. The Company has established an Employee Welfare Committee, implemented a retirement pension system, provides equal employment opportunities, conducts various employee training programs and offers group insurance for employees, and arranges regular health check-ups. These measures comply with the requirements of Labor Standards Act and respect international human rights conventions. The Company strives to eliminate discrimination, promote equality, and foster a friendly workplace	Full compliance

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
implementation status, customer relation policies and its implementation, and the Company's purchase of liability insurance for Directors)			<p>environment that embraces diversity.</p> <p>2. The Company holds earning calls every quarter to maintain open communication channels with both customers and investors. The Company also organized a beach cleaning activity in 2023 to fulfill our corporate social responsibility and promote environmental protection initiatives.</p> <p>3. The Company implements the cGMP system and adhere to PIC/S GMP regulations. The Company has established the Manufacture/ Vendor Qualification Review Procedure, with stringent reviewing and auditing mechanisms, to ensure that suppliers comply with environmental, occupational health, and safety regulations, and that there are no significant violations of environmental and social sustainability.</p> <p>4. The Company's attendance of Directors at board meetings reached 99% in 2023. The Company has established both an Audit Committee and a Remuneration Committee to assist Directors in strengthening the implementation of corporate governance. The attendance of committee members for both these functional committees in 2023 was 100%.</p> <p>5. The Company has established an Internal Audit Department, which is an independent unit under the Board of Directors. The unit is responsible for establishing internal control systems in accordance with legal requirements. The unit is obliged to propose an annual audit plan for the following year to be approved by the Audit Committee and the Board of Directors. Regular quarterly execution reports are then submitted to the Audit Committee and the Board of Directors for review.</p> <p>6. The Directors of the Company diligently abstain from discussion and voting on matters in which they have conflicts of interest, in accordance with legal requirements. For details regarding the abstention of Directors, please refer to 26 of the annual report.</p> <p>7. The Company has purchased liability insurance coverage of USD15 million for all</p>	

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
			Directors. 8. Directors' trainings in the most recent year are shown below. (Note 3)	
9. The Company's improvements in corporate governance based on the indicators stipulated in the Corporate Governance Evaluation Results issued in the most recent year by the Corporate Governance Center of the TWSE, and its priority strengthening measures for the indicators requiring further improvement.	V		<p>The Company has devised improvement policies based on the corporate governance evaluation results of 2023:</p> <ol style="list-style-type: none"> 1. The Company has uploaded uninterrupted audiovisual recordings of the entire annual shareholders' meeting of 2023 on the "Investors" section of the Company's website. 2. Each gender holds at least one-third of the seats on the Company's Board of Directors. 3. The Company amended the Procedures for Performance Evaluation of the Board of Directors in the Board Meeting on January 31, 2024, stipulating that the Company shall invite an external independent professional institution or a panel of external experts and scholars to conduct the board performance evaluation at least once every three years. 4. The Company has uploaded the intellectual property management plan and its implementation of 2023 on the "Investors" section of the company website. 5. The Company uploaded the Chinese version of its 2022 Sustainability Report on the company website as well as the Market Observation Post System by the end of September 2023; the English version was also uploaded by the end of December 2023. 6. In addition to documenting the human rights policy and management plans referencing international human rights conventions in the 2022 annual report, the Company also discloses its implementation status on the company website. 7. The Company discloses policies and the implementation status regarding workplace diversity and the promotion of gender equality in the sustainability report. 8. The Company amended the Procedures for Code of Business Conduct and Ethics in the Board Meeting on January 31, 2024, and uploaded it on the company website. 9. The Company provides a designated email address for reporting on unethical business conducts on the "Contact Us" section of the 	Full compliance

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
			<p>company website.</p> <p>10. The Company amended the Procedures for Handling Material Inside Information and Prevention from Insider Trading in the Board Meeting on January 31, 2024, stipulating that any insider of the Company shall not trade the Company's shares during the close periods, specifically 30 days prior to the announcement of annual financial reports and 15 days prior to the announcement of quarterly financial reports. The Company has also been informing the insiders of the prohibition prior to the beginning of the close periods.</p> <p>11. The Company evaluates risks and opportunities to the community and implements corresponding measures. The specific measures taken and their effectiveness are disclosed in the sustainability report.</p> <p>12. The Company plans to establish a Risk Management and Sustainable Development Task Force in the future, which will regularly report to the Board of Directors.</p>	

Note 1: Corporate Governance Officer's trainings in the most recent year

Date	Organizer	Course Title	Hours
Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	6.0
Sep 4th, 2023	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum	6.0

Note 2: Stakeholders

Stakeholders	Concerned Topics	Communication Channels and Agreement Result
Government agencies	<ul style="list-style-type: none"> Corporate governance and ethical operations Legal compliance Drug quality and safety Waste and water resource management Occupational safety and health Cyber security Climate strategy 	<ul style="list-style-type: none"> Appoint a specialist to manage correspondence with government agencies, encompassing more than 1,202 official letters between January and December 2023. All directors meet the standards of "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". The total number of training sessions for the 12 directors is 30, with a total of 95 hours. Following the Financial Supervisory Commission's Sustainable Development Roadmap of TWSE Listed and TPEX Listed Companies, the greenhouse gas inventory and verification for major operational sites in 2023 have been completed, and the TCFD framework has been implemented

Stakeholders	Concerned Topics	Communication Channels and Agreement Result
		to address climate change.
Shareholders/investors	<ul style="list-style-type: none"> • Business Performance • Corporate Governance and Ethical Operations • Legal Compliance 	<ul style="list-style-type: none"> • Held 1 annual general meeting. • Held 4 earnings release . • Invited to attend 9 investor meetings/ forum. • There were 63 public announcements made on the Market Observation Post System from January to December 2023.
Employees	<ul style="list-style-type: none"> • Labor-management relationship • Talent cultivation • Salary and benefits • Occupational health and safety 	<ul style="list-style-type: none"> • 4 labor-management meetings were held from January to December 2023. • In the 2023 employee satisfaction survey, a total of 1,342 questionnaires were sent to employees worldwide, and 1,210 were collected, with a response rate of 90%. Compared with the 2022 survey results, there was a significant progress in the 2023 survey results in three aspects: engagement, leadership, and employee experience. • 5 townhalls were held from January to December 2023. • Korean labor union: Total of 34 meetings held from January to December 2023.
Customers	<ul style="list-style-type: none"> • Drug quality and safety management • Products, services, and customer relationships • Drug R&D and innovation 	<ul style="list-style-type: none"> • In 2022, a total of five FDA factory inspections were conducted: TFDA in Taiwan, EAEU in Belarus, EDA in Egypt, TMMDA in Turkey, and EMA-Dutch Authority in Europe.
Suppliers and partners	<ul style="list-style-type: none"> • Supplier management 	<ul style="list-style-type: none"> • In 2023, a total of 36 suppliers were audited, including 8 suppliers in Taiwan and 28 foreign suppliers. The Korea subsidiary audited a total of 41 suppliers, including 17 domestic suppliers and 24 foreign suppliers.
Patients and support groups	<ul style="list-style-type: none"> • Customer health and safety • Drug accessibility 	<ul style="list-style-type: none"> • In 2023, a total of 19 patient events were jointly held in Taiwan, reaching a total of 908 people.
Local community	<ul style="list-style-type: none"> • Waste and water resource management • Occupational safety and health • Social participation 	<ul style="list-style-type: none"> • Lotus donated NT\$1 million to support victims of the earthquakes in Turkey and Syria. • Taiwanese colleagues joined hands and headed to Wangong Beach in Changhua, with a total of 254 colleagues, collecting 888 kg of trash along the precious coastline of Taiwan. • Lotus' Korean subsidiary donated KRW 10 million to support drug prevention, education, and rehabilitation efforts for youth in partnership with the Korean Drug Abuse Prevention Association, national policy agencies and the Food and Drug Safety Administration. • The Korean subsidiary collaborated with Good People International to donate 20 million KRW and female hygiene products to provide care for 200 low-income women and teenagers. • The Korean subsidiary has been organizing volunteer activities for making kimchi and bread for over 10 years, donating a total of KRW 3.5 million to support this initiative.
Media	<ul style="list-style-type: none"> • Legal compliance • Business Performance • Drug accessibility and drug quality and safety • Doctor-patient relationship and social participation 	<ul style="list-style-type: none"> • There was a total of 35 press releases related to the Company's website disclosure and operations from January to December 2023.

Note 3: Directors' trainings in the current year

Title	Name	Date	Organizer	Course Title	Hours
Chairman	Vilhelm Róbert Wessman	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
		Oct 26th, 2023	Digital Governance Association	New Directions of Sustainability: The Leadership Risks and Cybersecurity under the New Era of Digital Governance	3.0
Director	Petar Antonov Vazharov	Oct 2nd, 2023	Taiwan Institute of Directors	Presentation of the 2023 Corporates' Core Competencies of Crisis Response Survey Report - Mindset and Resilience in the International New Order	3.0
		Nov 15th, 2023	Securities and Futures Institute	2023 Insider's Trading-related Legal Compliance Guidance	3.0
Director	Thor Kristjánsson	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
		Oct 26th, 2023	Digital Governance Association	New Directions of Sustainability: The Leadership Risks and Cybersecurity under the New Era of Digital Governance	3.0
Director	Árni Hardarson	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
Director	Nat Ativitavas	Oct 2nd, 2023	Taiwan Institute of Directors	Presentation of the 2023 Corporates' Core Competencies of Crisis Response Survey Report - Mindset and Resilience in the International New Order	3.0
		Oct 12th, 2023	EDESG	Analysis of IFRS S1 S2 Sustainability Disclosure Standards - Discussion on the Evolving Trend of Sustainability Reporting in Taiwan	3.0
		Nov 15th, 2023	Securities and Futures Institute	2023 Insider's Trading-related Legal Compliance Guidance	3.0
		Nov 21st, 2023	Taiwan Project Management Association	Sustainable Development of Corporates and ESG Topics	3.0
Director	Krisana Winitthumkul	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
		Oct 26th, 2023	Digital Governance Association	New Directions of Sustainability: The Leadership Risks and Cybersecurity under the New Era of Digital Governance	3.0
Director	Phannalin Mahawongtikul	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
		Nov 16th, 2023	Accounting Research and Development Foundation	2023 ESG Forum - Sharing Examples of Sustainability Disclosure	2.0
		Nov 16th, 2023	Accounting Research and Development Foundation	2023 ESG Forum - Sustainability Disclosure and Implementation of ESG	3.0
		Nov 16th, 2023	Accounting Research and Development Foundation	2023 ESG Forum - Digital Technology and Sustainable Transformation	3.0
Director	Oranee Tangphao Daniels	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
		Nov 16th, 2023	Accounting Research and Development Foundation	2023 ESG Forum - Carbon Verification and Management	3.0

Title	Name	Date	Organizer	Course Title	Hours
Director	Yves Hermes	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
		Oct 26th, 2023	Digital Governance Association	New Directions of Sustainability: The Leadership Risks and Cybersecurity under the New Era of Digital Governance	3.0
Independent Director	Hjorleifur Palsson	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
		Nov 22th, 2023	Securities and Futures Institute	2023 Insider's Trading-related Legal Compliance Guidance	3.0
Independent Director	Karl Alexius Tiger Karlsson	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	6.0
		Nov 21st, 2023	Taiwan Project Management Association	Sustainable Development of Corporates and ESG Topics	3.0
		Nov 22th, 2023	Securities and Futures Institute	2023 Insider's Trading-related Legal Compliance Guidance	3.0
Independent Director	Jennifer Wang	Jul 4th, 2023	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Finance and Climate Change Forum	6.0
		Aug 1st, 2023	Securities and Futures Institute	The Risk and Opportunity for Companies under Climate Change and Net Zero Policy	3.0
		Aug 7th, 2023	Taiwan Corporate Governance Association	The Trends and Risk Management of Generative AI	3.0
		Dec 21st, 2023	Taiwan Academy of Banking and Finance	Corporate Governance Lecture - Requirements of Anti-Money Laundering and Counter-Terrorist Financing Laws and Regulations on the Board of Directors	3.0

3.3.5 Composition, Responsibilities, and Operation of the Remuneration Committee:

The Remuneration Committee assists the Board of Directors in implementing and evaluating Company policy regarding compensation and benefits, as well as the compensation of managerial officers

1. Current members of the Compensation Committee:

Title	Criteria	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies in Which Subject Serves as Member of Compensation Committee
	Name			
Independent Director	Jennifer Wang (Note)	Ms. Wang joined Lotus' Board of Directors as an independent director on June 15th, 2023. Ms. Wang currently serves as a partner lawyer at Chen & Lin Attorneys-at-Law, with over 20 years of professional experience providing legal services to clients in various industries. Since 2016, she has also served as an independent director at TXC Corporation, and since 2023, she has also served as an independent director at O-Bank Corporation. Ms. Wang holds a Master of Laws degree from National Taiwan University and pursued further studies in corporate law,	Ms. Wang wasn't elected as a governmental or juridical person or its representative as defined in Article 27 of the Company Law, and the conditions defined in Article 30 of the Company Law. Ms. Wang, her spouse and children all do not hold shares of Lotus and there are no conditions of Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on	N/A

Title	Criteria Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies in Which Subject Serves as Member of Compensation Committee
		securities, and mergers and acquisitions at Columbia Law School in the United States in 2002. She obtained a second Master of Laws degree in 2003 and passed the New York State Bar Examination.	the Taiwan Stock Exchange or the Taipei Exchange.	
Independent Director	Hjorleifur Palsson	<p>Mr. Palsson is an experienced Non-Executive Board member. Since 2010, he has served on boards in different sectors at listed and private companies, investment funds and academia. Amongst others, he has served as the Chairman of the Board at Reykjavik University from 2014 to 2022 and a board member and a Chairman at Vodafone Iceland from 2013 to 2022.</p> <p>Mr. Palsson was EVP and CFO of a leading medical device company, listed on NASDAQ OMX Copenhagen, from 2001 to 2013. He gained comprehensive experience in leading Accounting, Planning, Investor Relations, Financing, Corporate M&A, Human Resources and Business Information Services there. Prior to that, Mr. Palsson was a partner and a Board member at Deloitte & Touche in Iceland where he practiced as a State Authorized Public Accountant.</p>	<p>Mr. Palsson wasn't elected as a governmental or juridical person or its representative as defined in Article 27 of the Company Law, and the conditions defined in Article 30 of the Company Law. Mr. Palsson, his spouse and children all do not hold shares of Lotus and there are no conditions of Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.</p>	N/A
Independent Director	Karl Alexius Tiger Karlsson	<p>Mr. Karl Karlsson joined Lotus' Board of Directors as an independent director on June 15th, 2023. Mr. Karlsson has nearly 20 years in the pharma industry. He worked for Bluefish Pharmaceuticals as a founder, Chief Executive Officer, and Board Member. He is currently the founder and Executive Chairman of Newbury Pharmaceuticals AB, a rapidly growing hybrid pharmaceutical company for specialty prescription drugs, innovation, and brands with a focus on the Scandinavian markets.</p> <p>Mr. Karlsson studied marketing and business administration at George Mason University and has an Executive MBA degree from Harvard Business School in 2013.</p>	<p>Mr. Karl Karlsson wasn't elected as a governmental or juridical person or its representative as defined in Article 27 of the Company Law, and the conditions defined in Article 30 of the Company Law. Mr. Karl Karlsson, his spouse and children all do not hold shares of Lotus and there are no conditions of Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.</p>	2

Note: Convener.

2. Operations of the Remuneration Committee

(1) The Company's Remuneration Committee consists of three members.

(2) Term of service: the term of service of the Company is from July 10, 2023 to June 14, 2026. A total of 4 Remuneration Committee Meetings was held in 2024. Attendance at Remuneration Committee Meetings was as follows:

Title	Name	Actual Attendance	Attendance by Proxy	Actual Attendance rate (%)	Remarks
Independent Director	Jennifer Wang	2	0	100	(1) Convener (2) Appointed upon June 15th, 2023 re-election. (3) Attendance frequency:2
Independent Director	Hjorleifur Palsson	4	0	100	Appointed upon June 15th, 2023 re-election.
Independent Director	Karl Alexius Tiger Karlsson	2	0	100	(1) Appointed upon June 15th, 2023 re-election. (2) Attendance frequency:2
Independent Director	Benjamin Ku	2	0	100	(1) Resigned upon June 15th, 2023 re-election. (2) Attendance frequency:2
Independent Director	Han-Fei Lin	2	0	100	(1) Resigned upon June 15th, 2023 re-election. (2) Attendance frequency:2

Other details:

- If the board of directors decline to adopt or modify a recommendation of the compensation committee, it is imperative to note down the board meeting's date, session, motion, resolution as well as Tatung Company's disposition of the compensation committee's recommendation. (If the remuneration passed by the board exceeds the recommendation of the compensation committee, the circumstances and causes for the difference shall be specified): Non
- As to a resolution of the compensation committee, if a committee member expresses any objection or reservation recorded or in a written statement, it is imperative to specify the committee's date, session, disposition of the comments: None.
- The Remuneration Committee shall exercise the due care of a good administrator with the goal of fulfilling the following duties:
 - Establishment and regular review of performance evaluation criteria for Directors and managers, annual and long-term performance targets, and policies, systems, standards, and compensation structure.
 - Regular assessment and establishment of the salary and compensation of Directors and managers, and determining the content and amount of individual salary and compensation based on the results obtained from performance evaluations.
- Proposals, reviews and decisions made in the 2023 Remuneration Committee meetings, and the Company's handling of opinions are summarized as follows:

Session/ Date	Proposal/Discussion	Decision
5-10 Mar 8 th , 2023	1. Proposal for FY2022 employees' bonus and directors' compensation out of profit-sharing.	Approved without objection
5-11 May 9 th , 2023	1. Proposal of FY2023 annual salary adjustments for managerial officers. 2. Proposal of FY2022 annual bonus for managerial officers.	Approved without objection
6-1 Aug 9 th , 2023	1. The issuance of Employee Restricted Stock Awards. 2. The transfer of treasury shares to employees	Approved without objection
6-2 Oct 11 th , 2023	1. The appointment of the Vice President of Quality.	Approved without objection

3.3.6 Implementation of Sustainable Development:

Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
1. Does the Company establish and implement the governance structure of sustainable development, organize the department of sustainable development (full time/part time)? Status managed by senior management team which authorized by Board of Directors and status supervised by Board of Directors.	V		The Company established the "ESG and Risk Management Workforce" in the first quarter of 2024, chaired by the company's CEO. The workforce is composed of senior executives from various departments, responsible for formulating sustainability and risk strategies and short-, medium-, and long-term goals, coordinating across internal departments, interacting with external stakeholders, managing reporting and disclosures, handling communications, and overseeing the progress of relevant projects. The "ESG and Risk Management Workforce " will regularly report annual ESG performance results and risk responses to the board of directors.	Full compliance
2. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to company operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies accordingly?	V		The Company's operations are in compliance with regulations and the Company's internal control system. Each department votes on behalf of the stakeholders it represents to determine its significance. Appropriate management policies or strategies regards to issues of the environment, society, and corporate governance would be established in accordance with the materiality principles. 1. Environment: The Company established its Occupational Safety Department to ensure that factories abide by environmental protection regulations. The Company has tasked the Engineering Affairs Department with formulating an energy management policy and continues to strengthen environmental protection work with the goal of increasing energy efficiency by 1% to 2% annually. The Company also has a waste classification system with measures that encompass classification, recycling, and waste reduction. 2. Social: (1) The Company holds fire drill and work safety trainings every year to cultivate employees' responding ability towards emergencies and self-safety management. (2) The Company follows regulations and international	Full compliance

Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons
	Yes	No	Summary	
			standards for customer health and safety, customer privacy, and the marketing and labeling of its products and services, including but not limited to Pharmaceutical Affairs Act and PIC/S GMP. 3. Corporate Governance: (1) The Company's operations are in compliance with regulations and the Company's internal control system to make sure that all employees and operations of the Company are in compliance with regulations. (2) The Company has arranged Directors training and purchased liability insurance for all of its Directors each year. (3) The Company has appointed a designated person to collect and disclose Company information and to communicate with stakeholders.	
3. Environmental Subject				
(1) Has the Company set an environmental management system designed to industry characteristics?	V		(1) The Company is a cGMP-compliant pharmaceutical company. In addition, clear SOPs for handling waste produced in production and living areas have been established and are stringently executed. The Company has established an EHS Department, Environmental Health and Hygiene Management Committee, and Environmental Health and Safety (EHS) Manual. It also manages and audits overall environmental safety and hygiene.	Full compliance
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(2) The Company aspires to improve resource utilization. It encourages and implements the recycling of resources to reduce waste, performs waste sorting and recycling, recycles paper and plastic waste on a monthly basis, and is planning to use recycled water in the future.	Full compliance
(3) Has the Company assessed potential climate risks and opportunities for the Company's present and future, and established countermeasures accordingly?	V		(3) The company will timely assess the current and future potential risks and opportunities of climate change for the enterprise, and formulate appropriate response measures for relevant issues in a timely manner.	Full compliance
(4) Has the Company carried out greenhouse gas inventories, water-use inventories, and waste inventories for the past two years, and established policies for energy	V		(4) In 2021 and 2022, the three Lotus manufacturing facilities and two R&D centers collectively used greenhouse gas, water-use, and waste inventories. The calculation	Full compliance

Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons																																	
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efficiency, carbon reduction, greenhouse gas reduction, water-use efficiency, and waste management?			<p>method was based on the latest formula announced by the Bureau of Energy as follows.</p> <p>GHG: Unit: ton/ revenue million</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>By Product unit</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>10,662</td> <td>10,647</td> <td>1.46</td> </tr> <tr> <td>2023</td> <td>10,729</td> <td>4,711</td> <td>1.10</td> </tr> </tbody> </table> <p>Water-use: Unit: degree/ revenue million</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Water-use</th> <th>By Product unit</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>58,122</td> <td>3.97</td> </tr> <tr> <td>2023</td> <td>111,572</td> <td>6.58</td> </tr> </tbody> </table> <p>Waste: Unit: ton/ revenue 10 million</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Toxcis</th> <th>Non-Toxcis</th> <th>By Product unit</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>128.4</td> <td>210.9</td> <td>0.23</td> </tr> <tr> <td>2023</td> <td>110.93</td> <td>302.28</td> <td>0.02</td> </tr> </tbody> </table> <p>The Company established its Occupational Safety Department to ensure that factories abide by environmental protection regulations. The Company has tasked the Engineering Affairs Department with formulating an energy management policy and continues to strengthen environmental protection work with the goal of increasing energy efficiency by 1% to 2% annually.</p>	Year	Scope 1	Scope 2	By Product unit	2022	10,662	10,647	1.46	2023	10,729	4,711	1.10	Year	Water-use	By Product unit	2022	58,122	3.97	2023	111,572	6.58	Year	Toxcis	Non-Toxcis	By Product unit	2022	128.4	210.9	0.23	2023	110.93	302.28	0.02	
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<p>4. Social Subject</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and the International Bill of Human Rights?</p>	V		<p>(1) The Company is committed to respecting and observing all human rights, as described in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. The Company's employment policy does not discriminate on the basis of gender, race, age, marital status, or family background. It also accounts for underprivileged or disabled groups in accordance with the People with Disabilities Rights</p>	Full compliance																																	

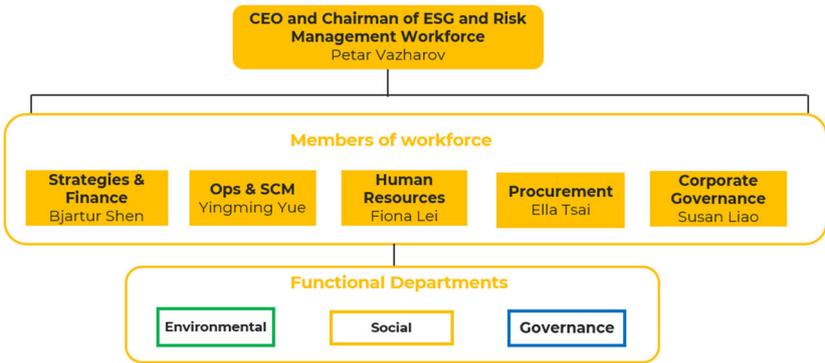
Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
(2) Has the Company established and implemented employee benefits policies (including compensation, leave, and other benefits), and is the Company's business performance appropriately reflected in employee compensation?	V		<p>Protection Act and the Act of Gender Equality in Employment to provide equal opportunity for employment and promotion. The Company has a reasonable compensation and bonus system. It regularly offers in-service training and education and ensures that employees receive sufficient leave and pensions.</p> <p>(2) The Company established and implemented employee welfare policies, including to establish welfare funds and Employee Welfare Committee, aiming to provide various welfare to employees like company trip, company hiking, allowance for birthday, marry, death, hospitalization and festivals, and other company activities. The Company provided more annual leave days than Labor Standard Act regulated. If employees encounter any accident, they can apply for unpaid leave to take care of personal issues.</p> <p>The Company's male and female employees have equal remuneration conditions and promotion opportunities. The Company's average percentage of female employees and female supervisors was 54% and 39% respectively last year.</p> <p>The Company shall, if any profits earned by the Company for a fiscal year, pay no less than 1% of the profits to regular employees of the Company and subsidiaries as allowance, contract and probationary employees are not included. In addition, the Company should raise employees' salary annually according to market status, economical trend, and personal performance. The Company gave an average of 4.3% salary raise last year.</p>	Full compliance
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		<p>(3) To protect employees from harmful substances in the workplace, the Company provides comfortable working environment. The Company conducts environmental monitoring twice a year as references for further improvement.</p>	Full compliance

Item	Implementation Status		Summary	Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons																											
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(4) Has the Company established effective career development training plans?	V		<p>In addition, director of each plant should provide annual safety work plans. The Company's EHS department will submit internal audit reports and propose improvements to the company website for reference to all departments.</p> <table border="1"> <thead> <tr> <th colspan="2">Work safety inspection</th> </tr> </thead> <tbody> <tr> <td>Work safety internal audit</td> <td>1/ month</td> </tr> <tr> <td>Manufacturing safety inspection</td> <td>1/ week</td> </tr> <tr> <td>On-site supervisor management</td> <td>1/ week</td> </tr> <tr> <td>General plant inspection</td> <td>1/ month</td> </tr> <tr> <td>Work safety inspection</td> <td>1/ week</td> </tr> </tbody> </table> <p>The Company has two employees injury involving two person in the current year (0.29% of the total number of employees at the end of 2023). In addition to reviewing and improving the working environment and policies, the Company will also strengthen occupational safety education and training as follows:</p> <table border="1"> <thead> <tr> <th>Training item</th> <th>Number of participants</th> <th>Total hours</th> </tr> </thead> <tbody> <tr> <td>New-hired Training</td> <td>283</td> <td>849</td> </tr> <tr> <td>Occupational re-training</td> <td>943</td> <td>2,075</td> </tr> <tr> <td>Firefiting training</td> <td>782</td> <td>3,128</td> </tr> <tr> <td>Escape Excercise</td> <td>412</td> <td>206</td> </tr> </tbody> </table> <p>There were no fire incidents in the company's 2023 years.</p>	Work safety inspection		Work safety internal audit	1/ month	Manufacturing safety inspection	1/ week	On-site supervisor management	1/ week	General plant inspection	1/ month	Work safety inspection	1/ week	Training item	Number of participants	Total hours	New-hired Training	283	849	Occupational re-training	943	2,075	Firefiting training	782	3,128	Escape Excercise	412	206	Full compliance
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	Yes	No	Summary	
(5) Does the Company follow regulations and international standards for customer health and safety, customer privacy, and the marketing and labeling of its products and services; and has the Company established policies and procedures to protect consumer or customer rights and process of complaints?	V		(5) 1. The Company follows regulations and international standards for customer health and safety, customer privacy, and the marketing and labeling of its products and services, including but not limited to Pharmaceutical Affairs Act, PIC/S GMP, Regulation of Bioavailability and Bioequivalence Studies, Standards for Medicament Factory Establishments, Pharmaceutical Good Manufacturing Practice Regulations, Toxic Chemical Substances Control Act, Controlled Drugs Act, Act Governing Food Safety and Sanitation. 2. The Company has established the Customer Service in charge of the handling of product related issues for customers and has also established the customers' feedback handling operation procedure, in order to provide timely problem solving and professional service to customers.	Full compliance
(6) Has the Company established and implemented supplier management policies that enforce supplier compliance with environmental protection, occupational safety and health, and labor rights regulations?	V		(6) The company has established the contractor and visitor management procedures (EHS-S0-007), clearly standardizing the pre-operation process, focusing on the number of personnel entering the factory and the designate person in charge of on-site safety, identify dangerous operation, pre-operation inspection and safety protection; suppliers are required to apply personal accident insurance for the construction personnel of the project prior to undertaking the work, Give safety education and training with corresponding training records to jointly prevent public security accidents and disasters. If the Supplier has any breach of the Contractor and Visitor Management Procedures, they will be liable for penalties, deductions, compensation, or permanent cessation of the contracting rights according to the violation.	Full compliance

Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
5. Does the Company follow international reporting standards or guidelines for the publication of sustainable development reports and other reports that disclose non-financial Company information? Have said reports acquired third-party assurance opinion statements or verification?	V		The Company's 2023 ESG reports prepared in accordance with GRI and SASB standards will be assured by a third party this year and will be posted on the MOPS and the Company's website for disclosure by the end of August.	Full compliance
6. If the Company has established its sustainable development code of practice pursuant to the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, please describe the Company's operational status and deviations from the principles: The Company has established its Code of Practice for Sustainable Development.				
7. Other important information to facilitate better understanding of the Company's implementation of sustainable development: (1) Environmental protection: Global warming has created unpredictable weather conditions. Enterprises should do their utmost to reduce their impact on the environment. Although the Company has received cGMP accreditation, large amounts of water, electricity, premium diesel, and natural gas are nonetheless indispensable for normal operations, and during the manufacturing process, wastewater and solid waste are produced. Nonetheless, wastewater treatment, environmental pollution reduction, and environmental safety have always been important goals in the process of R&D and production for Lotus. The Company established its Occupational Safety Department to ensure that factories abide by environmental protection regulations. The Company has tasked the Engineering Affairs Department with formulating an energy management policy and continues to strengthen environmental protection work with the goal of increasing energy efficiency by 1% to 2% annually. The Company also has a waste classification system with measures that encompass classification, recycling, and waste reduction. (2) Community Engagement and Social Welfare: In addition to continuously expanding in the pharmaceutical field, Lotus also maintains ongoing care for patients in its primary development sectors. From January to December 2023, a total of 19 patient activities were held in Taiwan, reaching 908 individuals. These activities included 9 Parkinson's disease health care series seminars, 1 brain tumor medical seminar, and 9 osteoporosis patient activities. By collaborating with professional physicians, physical therapists, speech therapists, and academic professors, Lotus shared professional information and care guidelines on diseases such as Parkinson's disease, brain tumors, and osteoporosis, serving as a strong support system for patients. In addition to caring for patients, Lotus actively responds to the Sustainable Development Goals (SDGs) by conserving marine ecosystems. It organized a beach cleaning event in Wangong, Changhua, with a total of 254 colleagues participating. Together, they collected 888kg of trash along Taiwan's precious coastline. Furthermore, in early 2023, a powerful earthquake measuring 7.8 on the Richter scale struck the Turkey-Syria border. As a member of the pharmaceutical industry, Lotus believes aiding those in need is a corporate responsibility. Many employees at Lotus's Nantou plant also experienced the devastating 921 earthquake in Taiwan, empathizing with the plight of disaster victims. Therefore, Lotus donated 1 million Taiwanese dollars to assist earthquake victims in Turkey and Syria, helping them overcome adversity. (3) Human rights: The Company's personnel regulations conform to the provisions of the Labor Standards Act. Dedicated personnel are appointed to handle relevant matters. The Company also maintains a favorable work environment and ensures labor rights for employees in accordance with the International Bill of Human Rights, Gender Equality in Employment Act, Sexual Harassment Prevention Act, Personal Information Protection Act, and Maternal Health Protection Plan. The Company values employees' physical and emotional well-being as well as their lifestyles. It has established an employee welfare committee, organizes annual corporate retreats and recreational events for employees, and provides subsidies for marriages and funerals, thereby promoting employees' physical health and emotional well-being and strengthening employee relationships. In addition, the Company offers a variety of insurance options to its employees. Checkups and training are provided annually to improve employees' health and capabilities. (4) Health & safety: The Company's SOPs have been developed in accordance with pharmaceutical GMP standards. It holds regular occupational safety and hygiene training to ensure a safe work environment.				

1.3.7 Implementation of climate-related information:

Item	Implementation status										
<p>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p>	<p>The Corporate Governance Department convenes the ESG and Risk Management Workforce regularly to deliberate, decide upon, evaluate, and supervise climate-related issues and matters. After identifying climate-related impacts, meetings are held with senior executives to discuss the potential harms of risks and propose improvement suggestions and measures to adapt and mitigate climate-related financial risks. The Chairman of the ESG and Risk Management Workforce affirms the short-term, medium-term, and long-term objectives. The ESG and Risk Management Workforce reports regularly annual ESG performance, including climate change-related issues, to the board of directors.</p> <p>▼ ESG and Risk Management Workforce Organizational Chart</p>  <pre> graph TD CEO[CEO and Chairman of ESG and Risk Management Workforce Petar Vazharov] --- Members[Members of workforce] subgraph Members S[F Strategies & Finance Bjartur Shen] O[Ops & SCM Yingming Yue] H[Human Resources Fiona Lei] P[Procurement Ella Tsai] CG[Corporate Governance Susan Liao] end Members --- FD[Functional Departments] subgraph FD E[Environmental] S[Social] G[Governance] end </pre>										
<p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p> <p>3. Describe the financial impact of extreme weather events and transformative actions.</p>	<p>Lotus will actively promote green energy and environmental protection policies, reduce electricity consumption, and decrease the carbon footprint of corporate operations and product manufacturing and distribution. In response to the impact of global climate change and greenhouse gas emissions on the environment, measures have been established to conserve energy, carbon reduction, and implement green procurement, products with energy-saving and environmentally friendly labels are purchased, and energy conservation and carbon reduction are implemented in operations.</p> <p>After examining risks, the company has analyzed the impact of climate change on its financial condition and has prepared annual adjustment responses. The disclosures for "Climate-related risks and financial impacts" and "Climate-related opportunities and financial impacts" are as follows:</p> <p>▼ Climate-related risks and financial impacts</p> <table border="1" data-bbox="539 1462 1439 2054"> <thead> <tr> <th>Type</th> <th>Risk Category</th> <th>Impact Period</th> <th>Risk Impact</th> <th>Response Measures and Potential Financial Implications</th> </tr> </thead> <tbody> <tr> <td>Transformation risk</td> <td>Policy and regulatory risks</td> <td>Long term</td> <td>The Taiwan 《Climate Change Response Act》 is expected to increase operational costs for companies by implementing additional carbon pricing measures.</td> <td> <ul style="list-style-type: none"> Gradually replace energy-consuming equipment to achieve energy-saving and carbon reduction goals; additionally, carbon emissions reduction measures are implemented at the source such as in manufacturing processes and transportation, to minimize environmental impact. In 2023, Lotus consumed 16,331,800 kWh of electricity, with an average cost of approximately NT\$3.07 per kWh. As the company is not considered a major electricity consumer under current regulation, it is anticipated that </td> </tr> </tbody> </table>	Type	Risk Category	Impact Period	Risk Impact	Response Measures and Potential Financial Implications	Transformation risk	Policy and regulatory risks	Long term	The Taiwan 《Climate Change Response Act》 is expected to increase operational costs for companies by implementing additional carbon pricing measures.	<ul style="list-style-type: none"> Gradually replace energy-consuming equipment to achieve energy-saving and carbon reduction goals; additionally, carbon emissions reduction measures are implemented at the source such as in manufacturing processes and transportation, to minimize environmental impact. In 2023, Lotus consumed 16,331,800 kWh of electricity, with an average cost of approximately NT\$3.07 per kWh. As the company is not considered a major electricity consumer under current regulation, it is anticipated that
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Item	Implementation status				
					<p>the average electricity tariff will increase by 10% in electricity expenses in 2024. Considering the annualized impact on production scheduling time, the projected increase in electricity expenses is approximately NT\$7 million.</p> <ul style="list-style-type: none"> • If other renewable energy sources (such as purchasing green electricity) are used instead of the current energy source (imported electricity), it will increase the operational costs of the company
		Changes in market demand	Medium term	Difficulty in obtaining raw materials, coupled with insufficient control over upstream resources, may lead to supply chain disruptions and drug shortages.	<ul style="list-style-type: none"> • The annual increase in raw material and labor costs for importing pharmaceuticals and products globally has raised the threshold for accessing raw materials. During the pandemic, adjustments have been made to product portfolios, and diverse supply chains for raw materials have been expanded to mitigate risks appropriately.
	Physical risk	Typhoon and flooding	Short term	Water usage is regulated	<ul style="list-style-type: none"> • Enhance the management of water resources related to buildings and production lines, and regularly update and ensure the proper functioning of factory equipment to prevent interruptions in production lines due to climate-related issues.
				Floods can cause power and internet blackouts, alongside escalated expenses for upgrading information equipment.	<ul style="list-style-type: none"> • Ensuring network reliability became a significant concern. In 2022, several backup lines were set up from various telecommunications providers, leading to increased costs due to renting lines from multiple providers. • Upgrade the firewall from manual operation to automatic operation.
				Transportation interruption, cargo loss Supplier's raw materials abnormality due to temperature control	<ul style="list-style-type: none"> • The typhoon prevented the experiment analysts from conducting their analysis, leading to a delay in releasing the batch of goods. • Suppliers will provide temperature records for the main API ingredients to facilitate management and tracking of relevant information, with no incidents exceeding the threshold in 2023.
				Typhoon disaster day-off	<ul style="list-style-type: none"> • To sustain the operations of production units during typhoon days, transportation expenses and overtime pay are

Item	Implementation status				
					<p>provided. In 2023, the impact of typhoons for 2 days resulted in an average daily cost increase of NT\$107,688.</p> <ul style="list-style-type: none"> • In 2023, heavy rainfall from two typhoons led to basement flooding due to poor drainage, necessitating subsequent cleanup measures despite no financial losses incurred. : • Insufficient drainage requires cleaning afterward, with no resulting financial loss or additional cost for purchasing cleaning supplies. • The flooding overflowed into the septic tank pipes of a certain building, causing toilets and other facilities to overflow in the opposite direction. No adjustments were made, only clearing the blockage.
▼Climate-related opportunities and financial impacts					
	Type	Climate-related opportunities	Adaptation measures and potential financial impacts		
	Energy efficiency	Adopting low-carbon energy usage, reducing greenhouse gas emissions, and switching to energy-efficient appliances, while also evaluating the feasibility of energy substitution/diversification.	Reduce carbon emissions to lower decarbonization costs and operational expenses, while also evaluating the utilization of diverse energy sources to bolster energy supply resilience.		
	Resource efficiency	Utilize more efficient production and processes to reduce operational costs and achieve carbon reduction effects.	Developing high-performance production processes to reduce carbon emissions and seeking alternative lower-cost raw material resources to avoid resource scarcity.		
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	To identify and assess significant impacts or risks related to operations, the ESG and Risk Management Workforce holds quarterly meetings. They regularly evaluate climate change risks based on ESG factors to understand specific potential financial impacts, devise response strategies, and integrate risk management into daily operations.				
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	<p>Climate scenario simulation under RCP8.5 mid-century conditions:</p> <ul style="list-style-type: none"> • Taipei: The maximum 24-hour accumulated rainfall change rate, according to the "3D Disaster Potential Map," triggering standard: 225 mm of rainfall in Taipei within 24 hours. While Taipei offices do not face an immediate risk of flooding, there is still the potential impact of natural disasters such as typhoons, which may require personnel to work from home and cause delays in product transportation. However, the overall operational impact is minimal. • Nantou: The maximum 24-hour accumulated rainfall change rate, according to the "3D Disaster Potential Map," triggering standard: the average baseline in Nantou is 184 mm. The Nantou plant does not face an immediate risk of flooding, but there is still the possibility of disruptions such as production halts, transportation difficulties, supply chain interruptions, and absenteeism due to typhoons or other natural disasters. Specific financial impacts include increased costs for renting backup network equipment and transportation expenses for personnel on typhoon days, including overtime costs (an average daily increase of NT\$107,688). 				

Item	Implementation status
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	<p>Short-term goals:</p> <ul style="list-style-type: none"> ● Introducing the ISO 14064-1 greenhouse gas verification standard in 2024. ● Completing audits of key operational sites in Taiwan and South Korea in 2024 and achieving verification. <p>Medium-term goals:</p> <ul style="list-style-type: none"> ● Incrementally increasing carbon emission reduction targets annually. ● Continuously purchasing energy-efficient equipment to improve energy usage structure. <p>Long-term goals:</p> <ul style="list-style-type: none"> ● Establishing a baseline year and progressing towards achieving net-zero emissions by 2050.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Lotus currently does not employ carbon pricing tools. Discussions on relevant matters will be held in the future.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	Lotus established the ESG and Risk Management Workforce in early 2024. It is expected to complete the setting of the baseline year and reduction targets for greenhouse gas emissions, as well as strategies, specific action plans, and progress towards achieving reduction targets by the end of 2024.
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan.	Table 1 provides a detailed inventory and assurance of greenhouse gas emission.

Table 1. Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1 Greenhouse gas inventory and assurance information

Year	Scope 1		Scope 2		Assurance institution	Assurance principle	Assurance opinion
	Total Emissions (metric tons CO ₂ e)	CO ₂ intensity (tCO ₂ e / NT\$ million)	Total Emissions (metric tons CO ₂ e)	CO ₂ intensity (tCO ₂ e / NT\$ million)			
2023	3,310	0.1952	12,129	0.7152	Grant Thornton	International Standard on Assurance Engagements (ISAE)3410, Assurance Engagements on Greenhouse Gas Statements	Limited assurance
2022	10,662	0.7286	10,647	0.7276	Did not undergo third-party assurance		

Note 1: The greenhouse gas inventory standard in the table above refers to ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 2: The scope of greenhouse gas inventory and assurance covers the major manufacturing locations of Lotus Pharmaceutical Co., Ltd. and Alvogen Korea Co., Ltd.

1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

Lotus established the ESG and Risk Management Workforce at the beginning of 2024. We aim to set the baseline year and reduction targets for greenhouse gas emissions, as well as develop strategies, action plans, and monitor progress towards achieving these targets by the end of 2024.

3.3.8 Ethical Management and Implementation Measures:

Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
1. Establishment of Ethical Management Policies and Programs				
(1) Has the Company established corporate ethics management policies approved by the Board of Directors, and addressed its corporate ethics management policies and measures and the commitment of the Board of Directors and the management team to implement such policies in its regulations and publicly available documents?	V		(1) The Company adheres to the " Procedures for Ethical Management and Guidelines for Conduct ", and publishes them on the Company's website to implement the Company's integrity principles. Internally, we will promulgate a code of practice to advocate the above-mentioned norms for employees, and implement the concept of ethical management to the daily business behavior of all employees.	Full compliance
(2) Has the Company established an unethical conduct risk assessment mechanism to regularly analyze and evaluate business activities with a higher risk of unethical conduct within the scope of the Company's business? Has the Company established appropriate countermeasures for unethical conduct, including the activities described in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	V		(2) The Company has internal controls and conducts on-the-job education and training. It requires all new employees to sign an agreement of ethical conduct and confidentiality, thereby ensuring corporate and employee ethics.	Full compliance
(3) Does the Company enforce and regularly review and amend its policies to curb unethical conduct with clearly stipulated implementation procedures, guidelines, disciplinary action for violations, and complaint procedures?	V		(3) The Company has formulated and implemented the " Procedures for Ethical Management and Guidelines for Conduct ", which clearly stipulates the operating procedures, conduct guidelines, punishment and appeal systems for violations, and regularly reviews and corrects the pre-disclosure plan.	Full compliance
2. Implementation of Ethical Management				
(1) Does the Company assess the ethical track record of whom it has business relationship with and include business conduct and ethics	V		(1) The Company has requested that all suppliers abide by its Procurement Management Regulations. The Company's legal department is	Full compliance

Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
related clauses in the business contracts?			responsible for conducting contract reviews and the procurement department is responsible for including ethical conduct clause in the Company's business contracts. Partners with a record of non-compliance are flagged for independent review.	
(2) Has the Company established a full-time corporate ethics management unit that reports directly to the Board of Directors on a regular basis (at least annually) regarding the implementation of corporate ethics management policies and unethical conduct countermeasures?	V		(2) The Company designates the legal department as the special unit responsible for promoting corporate integrity management, and regularly reports to the Board of Directors on the integrity management policy, the plan for preventing dishonest behavior, and the supervision and implementation of the report.	Full compliance
(3) Has the Company established and implemented policies that prevent conflicts of interests and provide appropriate channels for communication and complaint?	V		(3) The Company's " Procedures for Ethical Management and Guidelines for Conduct " and the " Rules of Procedure of the Board of Directors " have provisions for the prevention of conflicts of interest, as well as the "Operating Procedures for Handling Significant Internal Information and Prevention of Insider Trading" and are publicized to directors and employees to avoid insider trading.	Full compliance
(4) Has the Company established effective accounting and internal control systems for implementing corporate ethics management policies? Does the internal audit department or CPA plan regular audits based on unethical conduct risk assessment results, and are said audits implemented to review the countermeasures for compliance?	V		(4) 1. The Company has established an accounting system and a dedicated finance and accounting department. Financial statements are audited (or reviewed) by CPAs and announced in accordance with regulations, thereby ensuring the validity and transparency of the Company's financial information. 2. The Company has established an internal audit department and an internal control system to ensure the implementation of the Regulations Governing Establishment of Internal Control Systems by Public Companies and the " Procedures for Ethical Management and Guidelines for Conduct ".The Company regularly inspects and adjusts the system for improved efficacy. The Audit Department performs annual internal audits based on risk assessment.	Full compliance
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(5) In order to make employees aware of the company's integrity management policy, the company publicizes the " Procedures for Ethical Management and Guidelines for Conduct " and "Handling of Honest Behaviors of Company Personnel" and other relevant norms to all employees on	Full compliance

Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Summary	
			the company's website. Issues related to the Company's ethical management and corporate governance are included in the training of new employees, please refer to page 80~81 on the implementation status of employee training and training.	
3. Whistleblowing System				
(1) Has the Company established a specific report and reward system, set up conveniently accessible whistleblowing channel, and designate responsible individuals to handle the reports received?	V		(1) The Company has set up the handling of dishonest behaviors of the Company's personnel to be disclosed on the Company's website and internal webpages, and shall be carried out by the responsible units.	Full compliance
(2) Has the Company established standard operating procedures for the acceptance and investigation of whistleblower reports and post-investigation follow-up measures, and mechanisms to ensure confidentiality?	V		(2) The Company encourages its employees to proactively report dishonest or unethical behavior to their department heads or audit unit. Senior management or head of audit shall then decide whether to report the matter further depending on the severity of the violation. The whistleblowers' identities shall remain anonymous.	Full compliance
(3) Has the Company adopted proper measures to protect the whistleblowers from inappropriate disciplinary actions due to their whistle-blowing?	V		(3) The Company ensures that the identities of whistleblowers remain anonymous and guarantees that no inappropriate disciplinary actions shall be imposed on whistleblowers.	Full compliance
4. Enhanced Information Disclosure				
(1) Does the Company disclose relevant and reliable information regarding its ethical corporate management policies and their implementation on its website and the Market Observation Post System website of the Taiwan Stock Exchange?	V		(1) The Company advocates its " Procedures for Ethical Management and Guidelines for Conduct " to its employees on the Company website, thus promoting concepts of ethical management in the day-to-day operations of all employees.	Full compliance
5. If the Company has established its ethical corporate management code of practice pursuant to the Ethical Corporate Management Best-Practice Principle for TWSE/TPEX Listed Companies, please describe the Company's operational status and deviations from the principles: The Company's operations comply with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. Major policies, investment projects, asset acquisitions and dispositions, fund loaning, endorsement guarantees, and financing are reviewed and analyzed by dedicated departments and approved by the Board of Directors.				
6. Other important information to facilitate better understanding of the Company's ethical corporate management: (e.g., the Company's review and amendment to its ethical corporate management code of practice) The Company's operations comply with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. Major policies, investment projects, asset acquisitions and dispositions, fund loaning, endorsement guarantees, and financing are evaluated and analyzed by dedicated departments and approved by the Board of Directors. The CPAs review the Company's accounting books, and questionable items undergo stringent review. Regular and ad hoc audits are conducted to improve oversight mechanisms, internal management, and risk management.				

3.3.9 If the Company has Established Corporate Governance Code of Practice and Regulations, Disclose the Means of Accessing this Information:

1. Company Governance Code and Relevant Regulations

The company has established regulations such as the "Shareholders Meeting Rules," "Board Meeting Regulations," "Director Election Procedures," "Board Performance Evaluation Methods," "Integrity Operation Procedures and Behavioral Guidelines," and "Corporate Governance Code." Relevant contents have been disclosed on the company's website.

2. The company's "Stakeholder Zone" has been established, and relevant regulations will be referenced to appropriate locations on the Public Information Observation Platform for investor inquiries.

3.3.10 Other Important Information that May Facilitate Better Understanding of the Company's Corporate Governance:

1. Market Observation Post System: <http://mops.twse.com.tw/index.htm>

2. Company website: <http://www.lotuspharm.com.tw>

3.3.11 Internal Control System and Execution Status:

1. Statement on Internal Control:

Lotus Pharmaceutical Co., Ltd.
Statement on Internal Control System

Date: March 14, 2024

Based on the findings of self-assessment, Lotus Pharmaceutical Co., Ltd.(Lotus) states the following with regard to its internal control system during the fiscal year 2023:

1. Lotus's BOD and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes remedial actions as soon as a deficiency is identified.
3. Lotus evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinbelow, the "Regulations"). The criteria adopted by the Regulations identify five key components based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component also includes several items. Please refer to the Regulations for details.
4. Lotus has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of the assessment mentioned in the preceding paragraph, Lotus believes that as of December 31, 2023, its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement is an integral part of Lotus's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 14, 2024, where none of the eleven attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Lotus Pharmaceutical Co., Ltd.



Chairman: Vilhelm Róbert Wessman



President: Petar Antonov Vazharov



2. Internal control system audit report by CPA: None

3.3.12 The Punishment to the Company and Its Inside Personnel by Law, the Disincentive Measures to the Insider Personnel of the Company for Breaching the Internal Control System, Any Material Deficiencies and the Status of Improvement for the Most Recent Year and up to the Date of Publication of this Annual Report: None

3.3.13 Major Resolutions of the Board of Directors' Meetings and the Shareholders' Meetings in the Most Recent Year as of the Date of this Annual Report

1. Minutes of Significant Resolutions and Implementation Status of the Shareholders' Annual Meeting held on June 15th , 2023 for the Company:

Major Resolutions	Resolution	Implementation																												
(1) Proposal for amendments to certain articles of the Company's "Articles of Incorporation".	The voting rights in favor accounted for 96.05% of the total voting rights of the attending shareholders. The proposal was passed according to the proposal presented by the board of directors.	The proposal was operated and processed for registration changes in accordance with the amended company articles of association.																												
(2) Proposal for the issuance of Employee Restricted Stock Awards.	The voting rights in favor accounted for 95.97% of the total voting rights of the attending shareholders. The proposal was passed according to the proposal presented by the board of directors.	This case was declared effective by the Financial Supervisory Commission on July 27, 112, and the Board of Directors authorized the Chairman to set September 26, 112, as the base date for the first issuance.																												
(3) Proposal for transfer of shares to employees at the price lower than the average acquisition cost.	The voting rights in favor accounted for 91.57% of the total voting rights of the attending shareholders. The proposal was passed according to the proposal presented by the board of directors.	Following the resolution of the shareholders' meeting and approval by the board of directors, the proposal was agreed upon to transfer 60,000 shares to employees in August 2023, and a public announcement was made accordingly.																												
(4) Election of the 21st term Board of Directors.	<p>Election results:</p> <table border="1"> <thead> <tr> <th colspan="2">Director (Note)</th> </tr> <tr> <th>Name</th> <th>Number of elected votes</th> </tr> </thead> <tbody> <tr> <td>Vilhelm Róbert Wessman</td> <td>209,301,199</td> </tr> <tr> <td>Petar Antonov Vazharov</td> <td>206,499,171</td> </tr> <tr> <td>Arni Hardarson</td> <td>170,026,749</td> </tr> <tr> <td>Thor Kristjansson</td> <td>170,035,451</td> </tr> <tr> <td>Phannalin Mahawongtikul</td> <td>170,023,251</td> </tr> <tr> <td>Krisana Winitthumkul</td> <td>170,025,467</td> </tr> <tr> <td>Oranee Tangphao Daniels</td> <td>170,028,996</td> </tr> <tr> <td>Yves Hermes</td> <td>170,039,794</td> </tr> <tr> <th colspan="2">Independent Director</th> </tr> <tr> <td>Hjorleifur Palsson</td> <td>183,845,674</td> </tr> <tr> <td>Karl Alexius Tiger Karlsson</td> <td>208,873,169</td> </tr> <tr> <td>Jennifer Wang</td> <td>209,218,912</td> </tr> </tbody> </table> <p>Note: Representative of Alvogen Emerging Markets Holdings Ltd.</p>	Director (Note)		Name	Number of elected votes	Vilhelm Róbert Wessman	209,301,199	Petar Antonov Vazharov	206,499,171	Arni Hardarson	170,026,749	Thor Kristjansson	170,035,451	Phannalin Mahawongtikul	170,023,251	Krisana Winitthumkul	170,025,467	Oranee Tangphao Daniels	170,028,996	Yves Hermes	170,039,794	Independent Director		Hjorleifur Palsson	183,845,674	Karl Alexius Tiger Karlsson	208,873,169	Jennifer Wang	209,218,912	After the completion of the board of directors' election, the proposal was announced and registration changes were processed accordingly.
Director (Note)																														
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Vilhelm Róbert Wessman	209,301,199																													
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Jennifer Wang	209,218,912																													

Major Resolutions	Resolution	Implementation
(5) Proposal for releasing the non-compete restriction on newly elected Directors.	The voting rights in favor accounted for 95.95% of the total voting rights of the attending shareholders. The proposal was passed according to the proposal presented by the board of directors.	The proposal was executed according to the resolution and an announcement was made accordingly.

2. A summary of the major resolutions of the Board of Directors' Meetings during the past year and as of the date of the Annual Report are listed below:

Date	Major Resolutions
20-27 Mar 9 th , 2023	(1) The proposal for FY2022 employees' bonus and directors' compensation out of profit-sharing. (2) FY2022 Business Report and Financial Statements. (3) The proposal for FY2022 earnings distribution. (4) The proposal for cash distribution from capital surplus. (5) The dates and agenda of 2023 Annual General Meeting.
20-28 Apr 28 th , 2023	(1) The issuance of Employee Restricted Stock Awards. (2) Additional item for discussion to be included in 2023 Annual General Meeting agenda.
20-29 May 11 th , 2023	(1) Q1'23 consolidated financial statements.
20-30 Jun 2 nd , 2023	(1) The proposal to enter into a Development and License Agreement with NeuroRx Inc. to jointly develop and obtain the global intellectual property rights for a pharmaceutical product, project named NRx-101, which is the therapy for suicidal bipolar depression with the licensing amount for US\$ 15 million.
21-1 Jun 15 th , 2023	(1) Election of the Chairman of the 21st term Board of Directors.
21-2 Jul 10 th , 2023	(1) The appointment of the 6th term Remuneration Committee members.
21-3 Aug 10 th , 2023	(1) Q2'23 consolidated financial statements. (2) The capital injection proposal in Lotus International Pte. Ltd. ("Lotus SG") (3) The record date of capital reduction to cancel the withdrawn Employee Restricted Stock Awards shares (4) The amendment of the "2023 Employee Restricted Shares Awards Measures"
21-4 Sep 25 th , 2023	(1) The capital injection proposal in Alvogen Korea Holdings Ltd.
21-5 Oct 11 th , 2023	(1) The appointment of the Vice President of Quality.
21-6 Nov 8 th , 2023	(1) Q3'23 consolidated financial statements.
21-7 Jun 31 st , 2024	(1) The appointment of the new APAC Chief Commercial Officer.
21-8 Mar 14 th , 2024	(1) FY2023 Business Report and Financial Statements. (2) The proposal for FY2023 earnings distribution. (3) The proposal for FY2023 employees' bonus and directors' compensation out of profit-sharing. (4) The date and agenda of the 2024 Annual General Meeting. (5) The appointment of the Corporate Governance Officer. (6) The new Vice President of Business Development.

3.3.14 Written or Otherwise Recorded Dissenting Opinions Made by Directors Regarding Major Resolutions Made in Board of Directors' Meetings: None

3.3.15 In the Most Recent Fiscal Year and up to the Date of Publication of this Annual Report, a Summary of the Resignations and Dismissals of the Company's Chairman, President, Officer in Charge of Accounting, Officer in Charge of Finance, Chief Internal Audit Executive, Chief Corporate Governance Officer and Chief Research and Development Officer:

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Corporate Governance Officer	Bjartur Shen	Nov 10 th , 2022	Apr 1 st , 2024	Adjustment

3.4 CPA Service and Audit Fees:

Unit: NTD in thousands

CPA Firm	Names of CPAs	Audit Period	Audit Fees	Non-Audit Service Fees	Total	Remarks
KPMG Taiwan	An Chih Cheng	2023.01.01	6,668	1,038	7,706	The non-audit service fees include tax consulting services and scrapping inventory counts from the accounting firm, amounting to NT\$820 thousand and NT\$218 thousand, respectively.
	Wan Yuan Yu	2023.12.31				

1. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None
2. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None

3.5 Change of CPA:

3.5.1 Predecessor CPA:

Date of change	March 14th, 2024		
Reason(s) for change	The Company replaced the CPA due to the internal job adjustment of accounting firm from the first quarter of 2024.		
Explain whether termination of appointment was initiated by the employer or the CPA, and whether it was an active termination or a discontinuance of service	Situation/Parties	CPA	Employer
	Active termination	NA	NA
	Discontinuance of service	NA	NA
Audit opinions on the audit reports of the past two years and their reasons except for unqualified opinions	None		
Disagreements with issuer	Yes	-	Accounting principles and practices
		-	Disclosure of financial reports
		-	Audit scope and procedures
		-	Other
	No	✓	
Descriptions			
Other disclosures (Article 10, Paragraph 6, Items 1-4 to 1-7 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

3.5.2 Successor CPA:

CPA firm	KPMG Taiwan
Names of CPAs	An Chih Cheng, Pao Lian Chou
Date of appointment	March 14th, 2024
Any inquiry or consultation prior to the appointment on the accounting treatment or principles for specific transactions, and the type of audit opinion that might be rendered on the financial report	N/A
Written opinions from the successor CPAs that differ from those of the predecessor CPAs	N/A

3.5.3 Response of Predecessor CPAs Regarding the Content of Article 10, Paragraph 6, Item 1 and Item 2-3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: None

3.6 The Name and Title of Any Company Chairman, General Manager, and Head of Finance or Accounting Who Has Held Positions at the Appointed CPA Firm or Its Affiliates in the past Year: None

3.7 Changes in Shareholding and Pledged Shares of Directors, Officers, and Major Shareholder Holding More Than 10% of the Shares in the Most Recent Year as of the Date of this Annual Report

3.7.1 Changes in Shareholding of Directors, Officers, and Major Shareholders:

Unit: shares

Title	Name	2023		as of April 15 th , 2024 (The book closure date of AGM)	
		Increase (decrease) in Shareholdings	Increase (decrease) in Pledged Shares	Increase (decrease) in Shareholdings	Increase (decrease) in Pledged Shares
Juristic Chairman, Director Major Shareholder	Alvogen Emerging Markets Holdings Ltd.	(25,095,850)	0	0	26,521,723
Representative of Chairman President	Vilhelm Róbert Wessman	0	0	0	0
Representative of Director	Petar Antonov Vazharov	827,000	0	(60,000)	0
Representative of Director	Árni Hardarson (Note 1、4)	0	0	0	0
Representative of Director	Nat Ativitavas (Note 1)	0	0	NA	NA
Representative of Director	Thor Kristjansson (Note 4)	0	0	0	0
Representative of Director	Krisana Winitthumkul	0	0	0	0
Representative of Director	Phannalin Mahawongtikul	0	0	0	0
Representative of Director	Oranee Tangphao Daniels	0	0	0	0
Representative of Director	Yves Hermes	0	0	0	0
Independent Director	Hjorleifur Palsson	0	0	0	0
Independent Director	Benjamin Ku (Note 2)	0	0	NA	NA
Independent Director	Han-Fei Lin (Note 2)	0	0	NA	NA
Independent Director	Karl Alexius Tiger Karlsson (Note3)	0	0	0	0
Independent Director	Jennifer Wang (Note3)	0	0	0	0
Country Manager of Taiwan	Stanley Gu	12,500	0	0	0
Deputy General Manager of Strategy and Finance	Bjartur shen	36,000	0	(20,000)	0
CFO	Eeling Chan	9,500	0	0	0
CIO	Gwen Hsieh	18,000	0	(6,000)	0

Title	Name	2023		as of April 15 th , 2024 (The book closure date of AGM)	
		Increase (decrease) in Shareholdings	Increase (decrease) in Pledged Shares	Increase (decrease) in Shareholdings	Increase (decrease) in Pledged Shares
Vice President of Operations and Supply Chain	Yingming Yue	0	0	0	0
Vice President of Research and Development	Manish Chawla	32,500	0	(5,000)	0
Vice President of Quality	Dennis Tan (Note 5)	20,500	0	NA	NA
Vice President of Quality	Vamsi Kiran Kosaraju (Note6)	0	0	0	0
Vice President of Legal and Compliance	Edin Buljubasic	150,000	0	0	0
APAC Chief Commercial Officer	Lau Siew Lay (Note7)	NA	NA	0	0
Vice President of Business Development	Prashant Mohan Godse (Note8)	NA	NA	0	0
Company Corporate Officer	Susan Liao (Note 8)	NA	NA	0	0

Note 1: Nat Ativitavas was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Árni Hardarson, on September 4th, 2023.

Note 2: Independent Directors Benjamin Ku and Han-Fei Lin resigned upon re-election of the Board of Directors on June 15th, 2023.

Note 3: Karl Alexius Tiger Karlsson and Jennifer Wang were appointed as Independent Directors upon re-election of the Board of Directors on June 15th, 2023.

Note 4: Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Thor Kristjansson, on March 26th, 2024.

Note 5: Vice President of Quality of Dennis Tan resign on November 1st,2023

Note 6: Vice President of Quality of Vamsi Kiran Kosaraju on board on November 1st, 2023.

Note 7: APAC Chief Commercial Officer of Valerie Lau on board on February 15th, 2024.

Note 8: Vice President of Business Development of Prashant Mohan Godse and Corporate Governance Officer of Susan Liao on board on April 1st, 2024

3.7.2 Share Transfers with Related Parties: None

3.7.3 Share Pledges with Related Parties: None

3.8 Relationships of Related Party, Spouse, Kinships within the Second Degree among the Top Ten Shareholders:

Unit: shares

Name	Shareholdings of Shareholder		Shareholdings of Spouse or Underage Children of the Shareholder		Total Shareholdings by Nominee Arrangement		Relationships or Kinships Among the Top Ten Major Shareholders	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Alvogen Emerging Markets Holdings Ltd. Vilhelm Róbert Wessman	108,968,519	41.13%	-	-	-	-	-	-
Innobic LL Holding Company Limite	17,517,348	6.61%	-	-	-	-	-	-
The new system of employee retirement funds.	6,696,000	2.53%	-	-	-	-	-	-
The Public Service Pension Fund Management Committee.	4,037,000	1.52%	-	-	-	-	-	-
Citibank (Taiwan) serves as the custodian for the investment account of the Central Bank of Norway(Norges Bank).	4,016,000	1.52%	-	-	-	-	-	-
Unified Black Horse Fund Account	2,145,000	0.81%	-	-	-	-	-	-
Old system of employee retirement funds	1,908,000	0.72%	-	-	-	-	-	-
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.-Equity Trading Division (Proprietary Trading Desk) for Tri-party SBL Trading	1,658,000	0.63%	-	-	-	-	-	-
Peng Zhaoyan	1,427,000	0.54%	-	-	-	-	-	-
The Cooperative Bank Commercial Bank serves as the custodian for the Unified Galloping Fund Account	1,419,000	0.54%	-	-	-	-	-	-

Note: It's the information of the book closure date (April 15) of the 2024 annual general meeting of shareholders.

3.9 The Number of Shares of Invested Businesses Held by the Company, the Directors and Officers of the Company and Businesses Directly or Indirectly Controlled by the Company: NA

IV. Capital Raising

4.1 Sources of Share Capital:

4.1.1 Share Capital History:

1. Share capital history

Year Month	Issue price (NTD)	Authorized Share Capital		Paid-up Capital		Remarks		
		Shares (in thousands)	Amount (NTD in thousands)	Shares (in thousands)	Amount (NTD in thousands)	Source of share capital (NTD)	Property offsets other than cash	Other (Note)
Apr, 2022	10	400,000,000	4,000,000,000	262,756,312	2,627,563,120	Cancel the withdrawn RSA of NT\$400 thousand	N/A	1
Aug, 2022	10	400,000,000	4,000,000,000	262,591,312	2,625,913,120	Cancel the withdrawn RSA of NT\$1,650 thousand	N/A	2
Sep, 2023	10	400,000,000	4,000,000,000	262,471,312	2,624,713,120	Cancel the withdrawn RSA of NT\$1,200 thousand	N/A	3
Nov, 2023	10	400,000,000	4,000,000,000	264,958,312	2,649,583,120	The issuance restricts RSA of NT\$24,870 thousand	N/A	4

Note 1: Jing-Shou-Shang-Zi No. 11101054800,

Note 2: Jing-Shou-Shang-Zi No. 11101160730,

Note 3: Jing-Shou-Shang-Zi No. 11230168280,

Note 4: Jing-Shou-Shang-Zi No. 11230193880.

4.1.2 Type of Shares

Type of Shares	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered common shares	264,958,312	135,041,688	400,000,000	Note

Note: Outstanding Shares includes 17,517,348 common shares issued through private placement; the remaining shares are TWSE shares.

4.2 Composition of Shareholders:

Type of Shareholders Number	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Treasury Shares	Total
Number of Shareholders	0	29	203	179	26,044	1	26,456
Shareholding	0	6,557,764	31,460,532	150,088,883	76,361,133	490,000	264,958,312
Shareholding Percentage	0.00%	2.48%	11.87%	56.65%	28.82%	0.18%	100.00%

Note: It's the information of the book closure date (April 15) of the 2024 annual general meeting of shareholders.

4.3 Distribution of Shareholding:

Range of Shareholding	Number of Shareholders	Shareholding	Percentage (%)
1 - 999	11,514	1,315,693	0.50
1,000 - 5,000	12,512	21,806,789	8.23
5,001 - 10,000	1,119	8,758,369	3.31
10,001 - 15,000	357	4,576,488	1.73
15,001 - 20,000	244	4,472,080	1.69
20,001 - 30,000	218	5,624,283	2.12
30,001 - 40,000	106	3,788,263	1.43
40,001 - 50,000	53	2,452,817	0.93
50,001 - 100,000	157	11,248,941	4.25
100,001 - 200,000	89	11,978,405	4.52
200,001 - 400,000	41	12,472,121	4.71
400,001 - 600,000	16	7,689,605	2.90
600,001 - 800,000	8	5,513,467	2.08
800,001 - 1,000,000	4	3,721,200	1.40
1,000,001 and above	18	159,539,791	60.20
Total	26,456	264,958,312	100.00

Note: It's the information of the book closure date (April 15) of the 2024 annual general meeting of shareholders.

4.4 List of Major Shareholders:

Name of major shareholder	Shares	Shareholdings (shares)	Shareholding Ratio (%)
Alvogen Emerging Markets Holdings Ltd.		108,968,519	41.13%
Innobic LL Holding Company Limite		17,517,348	6.61%
The new system of employee retirement funds.		6,696,000	2.53%
The Public Service Pension Fund Management Committee.		4,037,000	1.52%
Citibank (Taiwan) serves as the custodian for the investment account of the Central Bank of Norway(Norges Bank).		4,016,000	1.52%
Unified Black Horse Fund Account		2,145,000	0.81%
Old system of employee retirement funds		1,908,000	0.72%
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.-Equity Trading Division (Proprietary Trading Desk) for Tri-party SBL Trading		1,658,000	0.63%
Peng Zhaoyan		1,427,000	0.54%
The Cooperative Bank Commercial Bank serves as the custodian for the Unified Galloping Fund Account		1,419,000	0.54%

Note: It's the information of the book closure date (April 15) of the 2024 annual general meeting of shareholders.

4.5 Market Price, Net Worth, Earnings, and Dividends of the Most Recent Two Years:

Units: share in thousands; NTD

Item		Year	2022 (allocated in 2023)	2023 (allocated in 2024)
Market Price per Share	Highest		269.5	343.5
	Lowest		84.4	208.5
	Average		147.14	268.56
Net Worth per Share	Before distribution		52.92	65.54
	After distribution		52.92	60.88(Note 4)
Earnings per Share	Weighted Average Shares		260,549	261,242
	Net profit per share	Before adjustment	11.59	15.72
		After adjustment	11.59	15.72
Dividends per Share	Cash dividend		3.46	4.66(Note 4)
	Bonus Shares	Earnings per share	-	-
		Capital Surplus per share	-	-
	Unpaid cumulative dividends		-	-
Return on Investment	Price/Earnings Ratio		12.70	17.08
	Price/Dividends Ratio		42.53	57.63
	Cash Dividend Yield		2.35%	1.74%

Note 1: Price/Earnings Ratio = Average Market Price/Earnings per Share.

Note 2: Price/Dividends Ratio = Average Market Price/Cash Dividends per Share.

Note 3: Cash Dividend Yield = Cash Dividends per Share/Average Market Price.

Note 4: Shall be reported to the annual shareholders meeting.

Note 5: As of the date of this Annual Report, the financial statements of the first quarter of 2024 have not been reviewed by the Accountant.

4.6 Dividend Policy and Implementation:

4.6.1 Dividend Policy:

Considering the Company is in an industry in a growth phase, profits may be distributed in total after taking into consideration financial, business, and operational factors, and to be distributed upon approved by the shareholders' meeting. It is expected that the dividends, subject to the shareholders' approval, are in the range of 10% to 100% of distributable profits of a year, among which cash dividend shall not be less than 10% of total distribution. Dividend payout may be adjusted by the Board of Directors based on changes in the internal and external environment.

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.

4.6.2 Proposal for the Dividend Distribution in the Last Year:

The Board of Directors of the Company decided to distribute cash of NT\$1,231,687,818 to the shareholders. The cash per share to be distributed is proposed to be NT\$4.66. The Chairman shall be authorized to handle all the matters related to the distribution.

4.6.3 Major Change Expected in the Dividend Policy: None

4.7 The Issuance of Bonus Shares Proposed at This Year's Annual General Meeting and Its Impact on the Company's Business Performance and Earnings per Share: None

4.8 Employee Profit-Sharing and Compensation for Directors:

4.8.1 The Percentage or Range of Compensation of Employees and Directors as Stipulated in the Company's Articles of Incorporation

The Independent Directors of the Company only receive the traveling expenses and the fixed remuneration for the execution of business. If profit is made in the current year, the Company shall allocate no less than 1% of the profit to employees as compensation and no more than 10% of the profit to Directors as compensation. In the instance of a loss, earnings shall be retained to make up for the loss.

The annual profit characterized in the preceding paragraph refers to the pre-tax profit of the year before deducting employee benefits and director remuneration.

Employee remuneration shall be provided in the form of shares or cash. The method, cash amount, and share amount shall be passed by majority vote in a Board of Director's Meeting with more than two-thirds attendance, and presented in a General Shareholders' Meeting.

Director remuneration (incl. Independent Directors) shall be provided in the form of cash. The issuance ratio shall be proposed by the Remuneration Committee, passed by majority vote in a Board of Director's Meeting with more than two-thirds attendance, and presented in a General Shareholders' Meeting.

Employees who are entitled to employees' additional compensation are those officially hired by the Company with labor insurance and benefits and the employees of subsidiaries under certain conditions. Temporary employees and probationary employees are not included.

The Company may distribute the shares by way of new shares to be issued by the Company or existing shares to be re-purchased by the Company to qualified employees. The Company may also enter into a share subscription right agreement with or issue restricted stock for qualified employees. Qualification requirements of the employees include the employees of parent company or subsidiaries of the Company who meet certain requirements.

4.8.2 The Basis for Estimation of the Compensation Amount Paid to Employees, Directors; Accounting Procedures in the Event of Discrepancy Between the Basis for Share Calculation for Distributed Share Compensation of Employees and the Actual Distribution Amount: None

4.8.3 Distribution of Employee Bonuses as Approved by the Board of Directors:

1. Distribution of employee cash bonuses, stock bonuses, and Director compensation: The Board of Directors has resolved to distribute a bonus of NT\$50,818,451 to the employees and a compensation of NT\$0 to directors in cash.
2. Proposed distribution of employee stock bonuses and the proportion of net profit after tax and total employee bonuses: None.

4.8.4 Distribution of Employee Cash Bonuses, Stock Bonuses, and Director Compensation in the Previous Year:

Unit: NTD

Employees' Profit-sharing Bonus		Directors' Compensation	Note
Share Dividends	Cash Dividends		
0	37,270,938	0	Same as 2022 Financial Statements

4.9 Share Repurchase: None

4.10 Corporate Bonds (Both Domestic and Overseas): None

4.11 Preferred Stocks: None

4.12 Global Depository Receipts: None

4.13 Employee Stock Option: None

4.14 Employee Restricted Stock Awards:

4.14.1 Employee Restricted Stock Awards:

Apr 10th, 2024

Type of Employee Restricted Stock Awards	2020 Employee Restricted Stock Awards		2023 Employee Restricted Stock Awards
Effective date of declaration and the total number of shares	May 11th, 2020 2,500,000 shares		July 27 th , 2023 5,000,000 shares
Issuance date	Jun 2nd, 2020	Dec 1st, 2020	September 26 th 2023
Issuance shares of employee restricted stock awards	2,190,000 shares	50,000 shares	2,487,000 shares
Number of new shares for restricted employee stock	-	-	2,513,000 shares
Issuance price	Free		Free
The ratio of issued shares of employee restricted stock awards to the total number of issued shares	0.85%		0.94%
Vesting conditions of employee restricted stock awards	<p>Subject to the actual issuance plan, the granted employees shall achieve the performance goals which are agreed by both parties. The award of Restricted Stock shall vest at a maximum rate of:</p> <p>5-year plan: 2nd anniversary - 25%, 3rd anniversary - 25%, 4th anniversary - 25% and 5th anniversary - 25%.</p> <p>3-year plan: 2nd anniversary - 50%, and 3rd anniversary - 50%.</p>		<p>Granted employees shall have no violation on any terms of the Company's employment agreement, employee handbook, or policies during the vesting period and shall achieve the performance goals which are agreed by both parties and Company goals. The personal performance shall be rated as meet expectation, and the Company's Earning Before Tax (EBT) of the Consolidated is not negative for the fiscal year prior to the vesting or EBITDA of the Consolidated for the fiscal year prior to the vesting is higher than the year proceeding. The award of Restricted Stock shall vest at a maximum rate of:</p> <p>(1) 5-year plan: 1st anniversary – 20%, 2nd anniversary – 20%, 3rd anniversary – 20%, 4th anniversary – 20% and 5th anniversary – 20%.</p> <p>(2) 3-year plan: 1st anniversary – 33%, 2nd anniversary – 33%, and 3rd anniversary – 34%.</p>

Type of Employee Restricted Stock Awards	2020 Employee Restricted Stock Awards	2023 Employee Restricted Stock Awards
Restriction of rights on employee restricted stock awards	<p>Exception to inheritance, the granted employees cannot sell, pledge, transfer, endow, collateralize or dispose of the restricted stock awards.</p> <p>The rights to vote on shareholders' meeting, and right of distribution of shares/dividends and preemptive rights of shareholders: the same as other common stocks of the company.</p>	<p>(1) Except for inheritance, the restricted rights may not be sold, pledged, transferred, gifted to another person, used to create any encumbrance or otherwise dispose of.</p> <p>(2) Restricted employee shares must be delivered to the trust for safekeeping immediately. And before the vested conditions are fulfilled, the employee shall not request the trustee to return the new shares with restricted employee rights for any reason or in any way.</p> <p>(3) All the attending rights, proposal rights, motion rights, speech rights, voting rights and any other shareholder rights are the same as the issued ordinary shares of the Company and shall be exercised in accordance with the trust agreement.</p> <p>(4) The restrictions (including but not limited to transfer restrictions and vesting conditions) applicable to any and all unvested RSAs (and any share derived from such RSAs for whatever reason, including share dividend, retained earning capitalization, recapitalization, reserve capitalization and any cash distributed based on such RSAs for whatever reason, including cash dividend and distribution of capital reserve in the form of cash) shall equally apply to any share derived, directly or indirectly, from and cash distributed based on such unvested RSAs for whatever reason, including share dividend, retained earning capitalization, recapitalization, reserve capitalization, cash dividend and distribution of capital reserve in the form of cash, and any interests (collectively, the "Restricted Share and Cash Distribution"). For the avoidance of doubt, for the purpose of these measures, the unvested RSAs shall include all the corresponding Restricted Share and Cash Distribution, which are subject to the same restrictions and thus unvested.</p> <p>(5) Other rights are the same as the issued ordinary shares of the Company and shall be exercised in accordance with the trust agreement.</p>
Custody of employee restricted stock awards	The restricted stock awards shall be kept in custody with the custodian bank before they become vested.	
The treatment for the employee restricted stock awards, of which the grantees fail to meet the vesting conditions	The Company shall buyback such shares at the gratis and cancel the shares.	

Type of Employee Restricted Stock Awards	2020 Employee Restricted Stock Awards		2023 Employee Restricted Stock Awards
Number of employee restricted stock awards that have been bought back	350,000 Shares	50,000 Shares	-
Number of vested employee restricted stock awards	1,382,500 Shares	-	-
Number of unvested employee restricted stock awards	457,500 Shares	-	2,487,000 Shares
The ratio of number of unvested employee restricted stock awards to the total number of issued shares (%)	0.17%	-	0.94%
The impact on shareholders' equity	The ratio of number of unvested employee restricted stock awards to the total number of issued shares is 0.17%, which has no significant impact on the dilution of the shareholdings.		The ratio of number of unvested employee restricted stock awards to the total number of issued shares is 0.94%, which has no significant impact on the dilution of the shareholdings.

Note: The "total number of issued shares" as of April 10th, 2024 mentioned in the above table is referred to as the number of shares listed in the Change Registration Information of the Ministry of Economic Affairs, which currently is 264,958,312 shares.

4.14.2 Employee Restricted Stock Awards Granted to Officers and the Top 10 Employees:

April 10th, 2024; Unit: shares, %, NT\$

	Title	Name	Number of Employee Restricted Stock Awards Granted	The Ratio of Number of Employee Restricted Stock Awards Granted to the Total Number of Issued Shares	Vested Employee Restricted Stock Awards				Unvested Employee Restricted Stock Awards			
					Number of Vested Employee Restricted Stock Awards	Issuance Price	Total Issuance Amount	The Ratio of Number of Vested Employee Restricted Stock Awards to the Total Number of Issued Share	Number of Unvested Employee Restricted Stock Awards	Issuance Price	Total Issuance Amount	The Ratio of Number of Unvested Employee Restricted Stock Awards to the Total Number of Issued Shares
Officers	CEO	Petar Antonov Vazharov	3,072,000	1.16	1,012,500	-	-	0.38	1,872,000	-	-	0.71
	Country Manager	Stanley Gu										
	Deputy General Manager of Strategy and Finance	Bjartur Shen										
	CFO	Eeling Chan										
	Vice President of Research and Development	Manish Chawla										
	Vice President of Operations and Supply Chain	Zenon Zdunek (Note 2)										
	Vice President of Quality	Rong-Xin Chen (Note3)										
	Vice President of Quality	Dennis Tan (Note 4)										
	Vice President of Operations and Supply Chain	Yingming Yue (Note 5)										
	CIO	Gwen Hsieh (Note 6)										
Vice President of Legal and Compliance	Edin Buljbasic (Note 7)											

	Title	Name	Number of Employee Restricted Stock Awards Granted	The Ratio of Number of Employee Restricted Stock Awards Granted to the Total Number of Issued Shares	Vested Employee Restricted Stock Awards			Unvested Employee Restricted Stock Awards				
					Number of Vested Employee Restricted Stock Awards	Issuance Price	Total Issuance Amount	The Ratio of Number of Vested Employee Restricted Stock Awards to the Total Number of Issued Share	Number of Unvested Employee Restricted Stock Awards	Issuance Price	Total Issuance Amount	The Ratio of Number of Unvested Employee Restricted Stock Awards to the Total Number of Issued Shares
Employees	Director	Justin Lee	650,000	0.25	177,500	-	-	0.07	472,500	-	-	0.18
	Director	Snaevar Vidisson										
	Director	HK Lim										
	Director	Julia Lin										
	Director	Ella Tsai										
	Director	Sydney Kin										
	Director	Ryan Koh										
	Director	Sascha Knell										
	Director	Fiona Lei										
	Director	Boris Strashilov										

Note 1: The "total number of issued shares" as of April 10th, 2024 mentioned in the above table is referred to as the number of shares listed in the Change Registration Information of the Ministry of Economic Affairs, which currently is 264,958,312 shares.

Note2: Retired on December 1st, 2022.

Note3: Retired on January 1st, 2022.

Note4: Resigned on December 1st, 2023.

Note5: On Board on December 1st, 2022.

Note6: On Board on August 2nd, 2021.

Note7: On Board on December 1st, 2022.

4.15 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.16 The Section on Implementation of the Company's Capital Allocation Plans:

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main business scope

The Company is primarily involved in the manufacture of generic pharmaceuticals. In recent years, the Company has actively expanded into global export markets with a keen focus on the development of complex generics. Company products are currently sold in Taiwan, South Korea, the United States, China, Japan, Europe, and several Southeast Asian countries. According to the Company's registration form, main business operations include:

- (1) The manufacture of drugs and medicines
- (2) Retail sale of drugs and medicines
- (3) Retail sale of medical device
- (4) International trade
- (5) The manufacture of cosmetic ingredients
- (6) Wholesale of food and grocery items
- (7) Wholesale of cosmetics
- (8) Retail sale of food and grocery items
- (9) Other consultancies
- (10) Biotechnology services
- (11) All business items that are not prohibited or restricted by law, except for those that are subject to special approval

2. Percent of business

Unit: NTD in thousands

	2023	
	Amount	Percent of Consolidated Revenue
Goods sales income	16,196,432	96%
Intellectual property rights authorization or sale income	430,764	2%
Labor income and other	330,775	2%
Total	16,957,971	100%

3. Current products

Lotus Pharmaceutical Co., Ltd. focuses on the commercialization of pharmaceuticals, dedicated to providing patients with better, safer, and more accessible medications. The company possesses a top-tier research and manufacturing platform recognized in Asia and has established partnerships in global markets including the United States, Europe, Japan, China, and Brazil. Lotus engages in over 100 strategic pharmaceutical projects worldwide, comprising over 250 commercialized products. Through internal research investment and collaborative licensing, the company invests in high-threshold oncology drugs, difficult generic drugs, 505(b)2, and strategically expands through mergers and acquisitions of branded drugs, licensing of internationally renowned new active ingredients, and biosimilars, forming a diverse and rich product portfolio to address unmet medical needs of patients globally.

4. New products in development

Our company's independently developed products primarily focus on oncology and immunology-related difficult generic drugs, and we collaborate with internationally renowned biopharmaceutical companies to jointly develop central nervous system-related medications, which are currently in the clinical trial stage. Additionally, leveraging our strong business development capabilities, we license and introduce various medications for cancer, central nervous system medical care, basic medical care, quality of life, female health, and kidney-related medical care. These medications will gradually be applied for regulatory approval in target markets, expanding into Asian and global export markets.

5.1.2 Industry Overview

1. Current status and development of the global pharmaceutical Market

The global pharmaceutical market continues to grow due to factors such as population aging, the increasing number of chronic disease patients, population growth in developing countries, advancements in healthcare, and the introduction of breakthrough innovative drugs at high prices. Additionally, the rise of pharmaceutical emerging markets contributes to the sustained growth of the global pharmaceutical market. In 2022, the global pharmaceutical market was approximately \$1.48 trillion USD, representing a growth of about 4.2% compared to 2021. The market size of advanced countries was approximately \$1.09 trillion USD, accounting for approximately 73.42% of the global pharmaceutical market. The top ten advanced countries including the United States, Germany, France, the United Kingdom, Italy, Spain, Japan, Canada, Australia, and South Korea had a combined pharmaceutical market size of approximately \$968.9 billion USD in 2022, representing 65.36% of the global pharmaceutical market. It is estimated that the global pharmaceutical market will continue to grow at a compound annual growth rate of approximately 3-6% over the next five years.

FY2022 Global Pharmaceutical Market by Geography

Unit: US\$ billion; %

Geography	2022 Sales	2018~2022 CAGR	2023~2027 CAGR
Advanced markets	1,083.3	6.1	2.5~5.5
Top 10 advanced countries	968.9	5.7	2.5~5.5
USA	629.0	4.0	-1~2
Emerging markets	370.8	7.2	5~8
Low-income countries	23.2	6.0	4.5~7.5
Total	1,482.3	5.1	3~6

Source: 2023 Biotechnology Industry in Taiwan; Global Use of Medicines 2023 : Outlook to 2027, IQVIA, Jan 2023.

According to a survey conducted by IQVIA, it is estimated that by 2027, the top three therapeutic drug categories globally will be oncology drugs, immunosuppressants, and antidiabetic drugs. Cancer, being a major and difficult-to-treat disease, has prompted manufacturers to actively invest in the development of cancer drugs. Over the years, a

significant number of products approved for market in various European and American countries have been cancer drugs. Additionally, countries are increasingly promoting precision medicine and encouraging early screening. Innovative therapies related to cancer are also being adopted, driving the continued growth in the use of cancer drugs. It is forecasted that by 2027, the market size will reach \$377 billion USD, with a compound annual growth rate estimated at 13-16% from 2023 to 2027.

2027 Global Pharmaceutical Market by Therapeutic Area

Unit: US\$ billion; %

Therapeutic Area	Forecast Sales for 2027	2023~2027 CAGR
Oncologics	377	13~16
Immunosuppressants	177	3~6
Anti-diabetics	168	3~6
Cardiovascular	126	1~4
Respiratory	92	3~6
Central Nervous System	81	2~5
Infectious diseases	74	2~5
GU sexual health	58	2~5
GI products	52	3~6
Mental health	48	0~3

Source: 2023 Biotechnology Industry in Taiwan; Global Use of Medicines 2023 : Outlook to 2027, IQVIA, Jan 2023.

Furthermore, as the patents for brand-name drugs continue to expire and with the ongoing increase in aging populations and chronic diseases, countries worldwide are encouraging the use of generic drugs to curb the growth of healthcare expenditures, thus contributing to the expansion of the generic drug market. Simultaneously, global inflation and interest rate adjustments are causing an increase in the cost of generic drugs, accelerating the restructuring and consolidation of generic drug manufacturers. According to a research report by Research And Markets, the global generic drug market is projected to increase from \$361.7 billion USD in 2022, with a compound annual growth rate of 8.3%, reaching \$682.9 billion USD by 2030. The United States and mainland China are the main generic drug markets.

2. Relationship between the Industry Upstream, Midstream, and Downstream

(1) Upstream:

Vendors that prepare and process raw medicinal materials. Raw materials in small molecule drugs include chemicals, plants, animals, minerals, microbial strains, and tissue cells, of which general chemicals account for the largest proportion of the materials. Upstream TCM materials are primarily plants along with some animals and minerals. Due to advancements in biotechnology, scientists have obtained a number of successful examples of transgenic animals and plants through gene transfer. In the future, plants or animals will be able to be directly cultured to produce drugs, which would be a major breakthrough in upstream drug production.

(2) Midstream:

These vendors include raw medicinal material vendors and TCM material vendors. Raw material vendors are involved in organic chemical synthesis, natural material extraction and purification, microbial fermentation or semi-synthetic fermentation, and genetic fermentation. TCM material vendors are involved in processing medicinal plants.

(3) Downstream:

For pharmaceutical manufacturing, the primary process involves combining active pharmaceutical ingredients (APIs) with excipients such as binders, disintegrants, adhesives, lubricants, etc., to produce dosage forms that are convenient for use. At this stage of production, compliance with the requirements of Good Manufacturing Practice (GMP) set forth by the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S) is necessary. In addition to traditional methods of processing medicinal herbs into traditional dosage forms such as pastes, powders, pills, and tablets, there is an increasing trend in manufacturing facilities to produce herbal medicines processed into Western pharmaceutical dosage forms. These products, which combine traditional Chinese medicine with Western pharmaceutical approaches, are sold in the Taiwanese market. Manufacturers of such products must adhere to GMP requirements. Only after producing formulations that meet these standards can they be sold to medical institutions or other pharmaceutical distribution channels.

3. Product development trends and competition

(1) Product development trend

The pharmaceutical industry is divided into several sectors including Western pharmaceutical formulations, active pharmaceutical ingredients (APIs), biopharmaceuticals, and traditional Chinese medicine. Generic drugs serve as the primary revenue source within the Western pharmaceutical formulations sector. With the continuous increase in the number of domestically and internationally approved new drugs, their contribution to the industry's revenue has been rising year by year. APIs are used by manufacturers of Western pharmaceutical formulations to produce finished dosage forms.

Our company specializes in the research, development, manufacturing, and sales of niche generic drugs. Compared to traditional generic drugs, these products have higher profit margins and entry barriers. We obtain regulatory approvals and commercialize these products in targeted markets worldwide, thereby expanding our revenue contribution.

(2) Status of competing products

In recent years, our company has transitioned from being a local pharmaceutical manufacturer in Taiwan to becoming an internationally diversified comprehensive pharmaceutical company. This transformation is in response to the various policy interventions regarding drug pricing implemented by governments worldwide. Unlike companies focusing solely on the generic drug market after patent expiration or vertically integrated generic drug conglomerates such as Sandoz, Teva, and Mylan, Lotus Pharmaceutical Co., Ltd. (Lotus Pharma) focuses on the research, development, manufacturing, and sales of niche generic drugs and generic drugs for cancer treatment.

Furthermore, leveraging our strong business development capabilities, we engage in mergers and acquisitions of branded drugs, licensing of internationally renowned branded drugs, 505(b)(2) applications, biosimilars, and new active ingredients to introduce into the Asian market. This diverse product portfolio enhances our competitiveness. Since 2009, our company has successfully passed multiple GMP inspections conducted by regulatory authorities including the Taiwan Food and Drug Administration (TFDA) (in compliance with PIC/S standards), the U.S. Food and Drug Administration (FDA), the European Medicines Agency (EMA), the Pharmaceuticals and Medical Devices Agency of Japan (PMDA), the China Food and Drug Administration (CFDA), and the Brazilian Health Regulatory Agency (ANVISA), demonstrating our high level of competitive advantage.

5.1.3 Research and Development

1. Developments in technology and research:

Our company possesses extensive experience in the pharmaceutical industry chain and robust research and development capabilities. We specialize in the development of small molecule drugs, with a focus on difficult-to-develop generic drugs. Our main R&D focus lies in the development of oral cancer medications. We are actively expanding our presence in key product markets, with a primary focus on international markets including the United States, Europe, Japan, Taiwan, and Southeast Asia.

2. Annual R&D investment in the past five years:

Unit: NTD in thousands

Item \ Year	2019	2020	2021	2022	2023
R&D expenses	553,569	505,379	595,925	520,449	720,826
Net operating income	9,611,195	10,728,583	12,649,189	14,632,772	16,957,971
R&D expenses as a percentage of net revenue	5.76%	4.71%	4.71%	3.56%	4.25%

3. Technologies or products successfully developed in recent years:

Over the past few years, our company has obtained multiple drug approvals and launched significant products in key global markets. Following the acquisition of Lenalidomide approval for the treatment of multiple myeloma in the United States in 2022, we also obtained approvals for two other dosage forms in 2023. Additionally, we successfully obtained approvals in Japan, marking our first entry into the Japanese market. Furthermore, Nintedanib, a tumor drug for the treatment of idiopathic pulmonary fibrosis, received temporary approval in the United States. In 2023, Pomalidomide, another cancer drug, obtained approval in Canada. In Asia, Midostaurin, after receiving temporary approval in the United States, also obtained approval in Taiwan. Vinorelbine, a lung cancer medication, received approval in Vietnam and was successfully launched. In summary, in the fiscal year 2023, our company obtained a total of 77 drug approvals globally, with 27 new products successfully launched.

5.1.4 Long-Term and Short-Term Business Development Plan

1. Short-term development plan:

We're expanding globally by strengthening our supply chain, enhancing production flexibility, and obtaining approvals in target markets. This boosts our ability to meet demand and helping us seize new opportunities and solidify our industry leadership.

2. Medium and long-term development plan:

We focus on niche advantages, specializing in the research and development of challenging generic drugs. Through collaborations with international pharmaceutical companies, we enrich our product portfolio by licensing renowned international medications, thereby enhancing our market competitiveness.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales regions of major products

Units: NTD in thousands

Year	2022		2023	
Region	Amount	Percentage (%)	Amount	Percentage (%)
USA	5,916,467	40	6,814,802	40
Korea	5,277,064	36	5,586,521	33
Taiwan	1,439,016	10	2,412,754	14
Others	2,000,225	14	2,143,894	13
Total	14,632,772	100	16,957,971	100

2. Market Shares

Our pharmaceutical sales business is divided into two platforms: the Asia-Pacific market and the global export market outside of Asia. In addition to strengthening our product line, we actively develop new products and continuously license internationally renowned medications to enhance their accessibility. Our Korean subsidiary maintains its leading position in the weight management drug market in Korea.

We are also actively cultivating the global export market, selling our independently developed challenging generic drugs to countries including the United States, Europe, Brazil, and Oceania, aiming to achieve market leadership in certain specialty medications.

3. Supply and demand outlook growth opportunities

In 2022, the global pharmaceutical market size was approximately \$9.689 trillion USD, accounting for 65.36% of the total global pharmaceutical market. It is estimated that the global pharmaceutical market will continue to grow at a compound annual growth rate (CAGR) of approximately 3-6% over the next five years. According to IQVIA's survey in April 2023, the global pharmaceutical market is projected to increase at a CAGR of 5.4% over the next five years, reaching \$1.8 trillion USD in 2027. Additionally, key factors affecting the development of the pharmaceutical industry from 2023 to 2030 include the healthcare system's ability to cope with rising costs, financial pressures and cost control from commercial insurance and government, strengthening scrutiny on the value of pharmaceuticals, and increased investment in preventive medicine and early

detection due to aging populations and the prevalence of infectious diseases. Therefore, the demand for Lotus Pharmaceutical Co., Ltd.'s focus on the development of challenging generic drugs and oncology immunotherapy drugs continues to grow. In response to the increasing demand, Lotus Pharma diversifies its supply chain through global procurement to mitigate risks and enhance resilience. Additionally, it has begun incorporating ESG (Environmental, Social, and Governance) standards into supplier management processes to make the supply chain more resilient to climate change and carbon reduction trends.

4. Advantages, disadvantages, and countermeasures

(1) Advantages

- (A) Global Aging Population and Improved Living Standards, Growth of Global Pharmaceutical Market
- (B) Government Support for Pharmaceutical Industry Development and Favorable Development Environment
- (C) Product Focus on High-Technology Threshold Generic Drugs
- (D) High Standard Production Technology

Response Strategy:

The company will continue to steadily expand its operations in line with its strategic layout.

(2) Disadvantage and countermeasures

- (A) Governments Lowering Drug Prices to Squeeze Pharmaceutical Company Profits

Response Strategy:

Lotus Pharmaceutical Co., Ltd. has highly experienced R&D personnel with over 10 years of experience, including R&D leadership with over 20 years of international pharmaceutical industry experience. This wealth of industry experience is crucial for topic selection, analysis, and API selection. Lotus Pharma employs advantageous topic selection strategies tailored to different markets, particularly focusing on cultivating export markets, which will effectively increase profit margins in the long term.

- (B) Stringent Pharmaceutical Regulations and Increased Costs and Delayed Timeframe Due to Multiple Inspections and Litigation with Patent Drug Manufacturers

Response Strategy:

The company integrates R&D, regulatory affairs, clinical, manufacturing, and sales functions, with over 200 R&D personnel worldwide. From generic drug formulation development to clinical trials and drug surveillance, Lotus Pharma has dedicated regulatory personnel responsible for different market data and submission strategies. Professional teams are also deployed downstream in the market. With a comprehensive global presence, the company has significantly improved its mastery of international regulatory submission operations since its establishment. This ensures the maximization of fund utilization, R&D benefits, and intellectual property value.

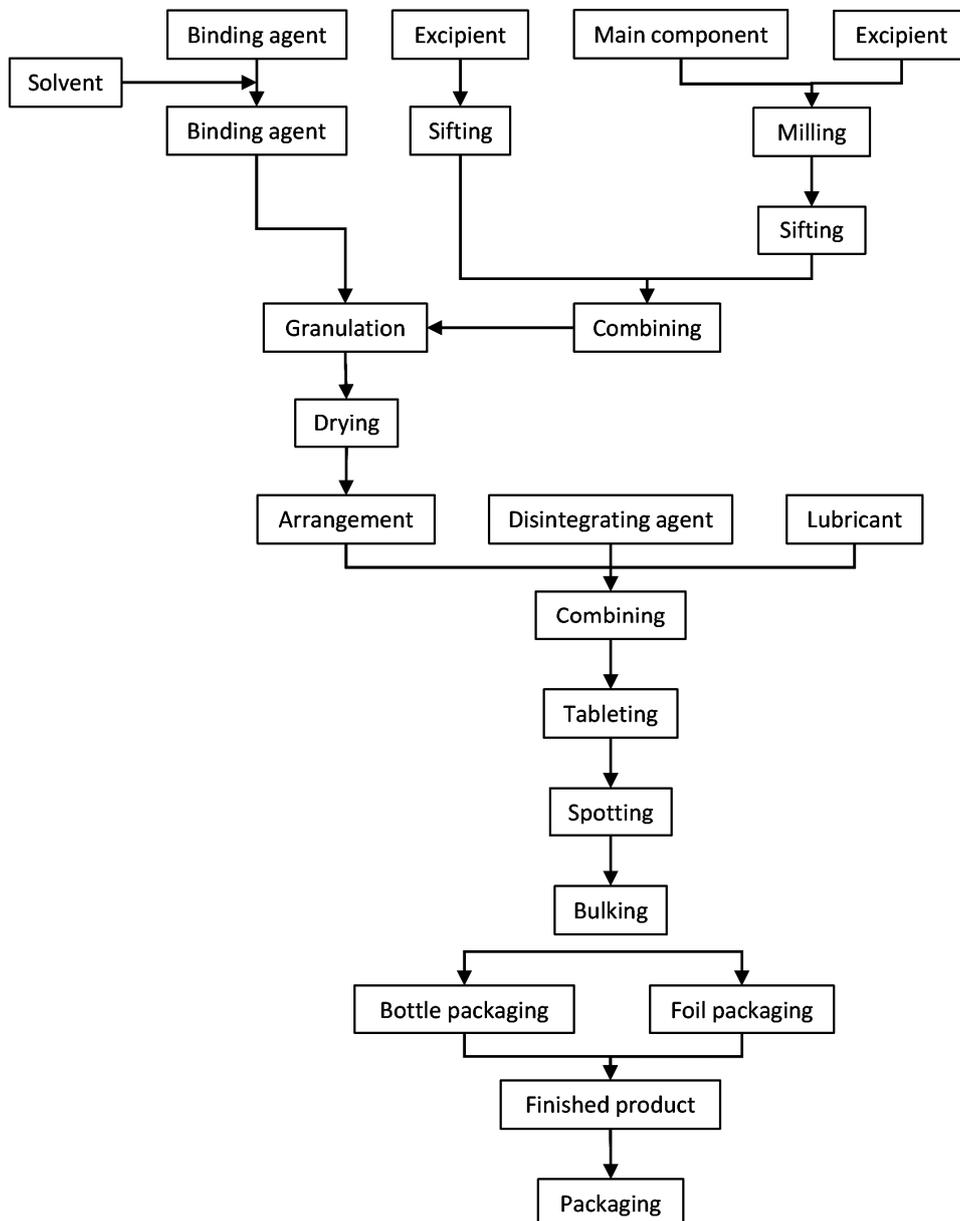
For avoiding patent layouts by original drug manufacturers or claims of patent invalidity, patent avoidance analysis and litigation strategy planning are essential cornerstones, facilitating the rapid entry of specialty generic drug manufacturers into the market.

5.2.2 Applications and Manufacturing Process of Major Products

1. Purpose of major products

Products	Description
Prescription Generic Drugs	Primarily oral Oral oncology drugs, central nervous system drugs (primarily referring to psychiatric medications and addiction treatments), basic medical and lifestyle-related medications, women's health management, and kidney-related medications.
Brand Product Lines	Products acquired via acquisition or licensed -in deals, primarily focusing on women's health care products (oral contraceptive drugs), osteoporosis drugs mental health drugs and oncology drugs (including drugs for breast cancer and prostate cancer)

2. Manufacturing process of main products



5.2.3 Supply of Major Raw Materials :

The main raw materials used by our company meet the requirements of advanced country regulations, and in recent years, we have expanded the selection of suppliers for key active pharmaceutical ingredients. Additionally, some raw materials are procured through strategic partnerships to mitigate the risk of price fluctuations. This approach not only ensures stable procurement prices but also stabilizes the supply quantity. Consequently, over the past two years, the supply of main raw materials has remained stable without significant fluctuations.

5.2.4 Customers Accounting for 10% or More of Sales in Any of the Past Two Years:

1. Information on suppliers that accounted for more than 10% of annual purchases in the past two years:

Unit: NTD in thousands

Item	2022				2023			
	Name	Amount	Percentage of Total Purchase (%)	Relationship	Name	Amount	Percentage of Total Purchase (%)	Relationship
1	Company A	1,020,606	15	-	Company B	849,224	11	-
2	Company B	725,071	10	-	Company C	782,247	10	-
3	Others	5,252,809	75	-	Others	6,303,279	79	-
-	Net Purchase	6,998,486	100	-	Net Purchase	7,934,750	100	-

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2024 have not been reviewed by the Accountant.

2. Information on clients that accounted for more than 10% of annual sales in the past two years:

Unit: NTD in thousands

Item	2022				2023			
	Name	Amount	Percentage of Total Sales (%)	Relationship	Name	Amount	Percentage of Total Sales (%)	Relationship
1	Company D	5,887,274	40	Related parties	Company D	6,796,469	40	Related parties
2	Others	8,745,498	60	-	Others	10,161,502	60	-
-	Net Sales	14,632,772	100	-	Net Sales	16,957,971	100	-

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2024 have not been reviewed by the Accountant.

5.2.5 Production in the Most Recent Two Years:

Units: tablet in thousands; NTD in thousands

Main products (or Department)	Year	2022			2023		
		Capacity	Yield	Value	Capacity	Yield	Value
Western Medicine - Manufacturing		736,000	797,607	1,994,776	869,853	881,565	2,559,643
Western Medicine – Outsourced Manufacturing		NA	391,810	4,832,189	NA	420,282	5,775,157
Total		Note 3	1,189,417	6,826,965	Note 3	1,301,847	8,334,800

Note 1: Capacity refers to the yield under normal operating conditions using existing production equipment minus necessary stoppages and public holidays.

Note 2: If the production of a product is substitutable, it is noted and combined for calculation.

Note 3: Due to different product units, they could not be summed.

5.2.6 Sales in the Most Recent Two Years:

Units: tablet in thousands; NTD in thousands

Main Products (or Department)	Year	2022				2023			
		Domestic Sales		Exports		Domestic Sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Western Medicine - Manufacturing		706	439,440	7,200	2,027,920	747	457,606	25,584	1,472,838
Western Medicine - Outsourced Manufacturing		1,898	999,576	19,627	10,931,051	2,421	1,955,148	21,645	12,310,839
Others (Note 3)		NA	-	NA	234,786	NA	-	NA	761,540
Total		Note	1,439,016	Note	13,193,757	Note	2,412,754	Note	14,545,217

Note 1: Domestic Sales refer to sales to Taiwan.

Note 2: Due to different product units, they could not be summed.

Note 3: The main components include income from intellectual property licensing and revenue from services rendered.

5.3 Employee Number, Average Length of Service, Average Age and Education Distribution Ratio of Employees in the Most Recent Two Years and as of the Date of Publication of this Annual Report:

Unit: persons

Year		2022	2023	As of April 10 th , 2024
Employee numbers	Research and development	272	323	322
	Administration	188	168	184
	Manufacturing	461	502	529
	Sales	394	413	412
	Total	1,315	1,406	1,447
Average age		38.66	38.93	39.25
Average years of service		5.78	4.88	5.1
Education level distribution	Postgraduate	21	21	22
	Graduate	355	404	412
	Undergraduate	775	861	889
	High school	111	117	119
	Middle school or lower	53	3	5

5.4 Expenditures on Environmental Protection

5.4.1 Total Losses (including reparations) and Penalties Due to Company-Generated Environmental Pollution in the Most Recent Year as of the Date of this Annual Report:

There have been no losses due to pollution in the current year up to the date of publication of this Report.

5.4.2 Future Responses and Possible Expenditures:

The Company strives to increase energy efficiency by 1% to 2% of standard capacity per year. A detailed plan for corresponding expenditures is unavailable.

5.4.3 The Company's Response to the EU's Restriction of Hazardous Substances (RoHS) Directive:

The Company does not use RoHS substances.

5.5 Labor-Management Relations

5.5.1 Employee Benefits

The Company embraces a corporate culture of humanistic management and implements a number of welfare measures. Therefore, in an atmosphere of mutual care and co-creation, the Company maintains a harmonious relationship with its employees. The success of a company depends on the commitment of its talents. Therefore, the Company pays special attention to the concepts and practice of talent cultivation and management. It respects individuals, affirms their achievements, and provides a fair working environment that maximizes individual potential and ensures that employees enjoy a sense of achievement, confidence, and satisfaction in their work. The Company's employee welfare and retirement measures, their implementation, employer-employee agreements, and protection of workers' rights are as follows:

1. Employee welfare measures:

- (1) Facilities: The company provides free coffee and tea, parking lots, transportation bus, cafeteria, and breastfeeding room for employees.
- (2) Subsidy: Hold Company Day every year to inspire morale, and provide funds for launching after-work activities to improve personal relationship among employees.
- (3) Additional welfare measures: The Company has established an Employee Welfare Committee that regularly organizes employee trips and hiking activities. The Company also provides birthday gifts, New Year vouchers, and wedding and funeral allowances. Employee events are also organized on an occasional basis.
- (4) Health care and insurance welfare: The Company provides annual employee health examinations, safety and hygiene lectures, and health examination plans for colleagues and dependents with health examination institutions and health care consultations. The Company pays attention to employee protection. In addition to insuring employees by the law, such as labor insurance, national health insurance, and other social insurance, the Company also insures group insurance, such as accident insurance and hospitalization medical insurance, and provides emergency relief funds.

(5) Alvogen Korea Co., Ltd. has established a Workers' Union in accordance with local laws and regulations.

2. Employee training and implementation:

In addition to a rigorous vetting process, the Company provides new employees with a comprehensive training program to ensure the quality of its human resources. Department heads and employees may also apply for training as needed for their duties. Education and training include internal training and external courses to enhance the skills of employees.

(1) Employee training:

Item	Number of Classes	Number of Participants	Total Hours	Total Cost
New employee training	5,271	11,595	13,526,009	1,461,796
Professional competency training	256	2,317	99,705	1,845,198
Supervisor training	12	232	1,377	1,786,445
Self-development training	99	540	2,568	1,084,153
Total	5,638	14,684	13,629,659	6,177,592

(2) The required qualifications for personnel designated to handle matters concerning financial information transparency are as follows:

A. International internal audit qualifications: 2 at Lotus

B. Basic competency test on the internal control of enterprises held by the Securities and Futures Institute: 0 at Lotus

C. CPA of the Republic of China: 3 at Lotus

3. Retirement system and implementation

The retirement system is handled in accordance with the Labor Standards Act and Labor Pension Act. For workers covered under the old Labor Retirement Reserve Fund labor pension scheme, we allocate 2% of our employees' monthly salaries for deposit into a designated Bank of Taiwan (previously the Central Trust of China) account set up under the company name, As of February 29th, 2024 which has currently accumulated a total of NT\$14,344 thousand. For workers covered under the new pension system, we allocate 6% of our employees' monthly salaries based on their contribution classification for deposit into designated personal accounts set up with the Bureau of Labor; a total of NT\$26,705 thousand was allocated in 2023.

4. Employer-employee agreements and employee rights protection measures and implementation

The Company conforms to Article 83 of the Labor Standards Act and regularly holds labor-management meetings. It treats its employees with transparency and openness. Measures concerning salary, bonuses, benefits, and training are communicated and agreed to by both parties. Therefore, there have been no disputes concerning these measures.

5.5.2 Losses Incurred by Labor Disputes in Recent Years as of the Date of this Annual Report (including potential disputes and appropriate countermeasures):

Disposition date	2023.2.17
Disposition reference number	No.1120043222(Government of Nantou County)
The articles of laws or regulations breached	Paragraph 2, Article 24, Labor Standards Act
Description of the violation	In accordance with Article 36, an employer shall pay a worker overtime wages when required to work on the rest days. When the overtime work does not exceed two hours, the worker shall be paid, in addition to the regular hourly wage, at least an additional one and one-third of the regular hourly rate. When the overtime work is over two hours, the worker shall be paid, in addition to the regular hourly wage, at least an additional one and two-thirds of the regular hourly rate.
Disposition	Fined NTD\$50,000 and the name of the person in charge has been announced.
Corrective measures and possible disbursements to be made in the future	The employer revises the basis for calculating overtime pay to prevent situations where employees work extended hours without adequate compensation.

5.6 Information Security Management

5.6.1 Information Security Risk Management Architecture, Information Security Policy, Specific Management Plan, and Resources Invested in Information Security Management, etc.:

1. Information security risk management architecture:

The company has established an IT department dedicated to information security, with one chief information security officer appointed, work as chief information officer. One information security Engineer is appointed, concurrently serving as IT infrastructure department Manager. Chief information security officer regularly reports information security management operations to the supervisor. The company's internal systems are all located in the internal network, and the external network cannot be directly accessed due to isolation. Multiple network security defense systems have been adopted, such as firewalls located at the front of the network, intrusion detection and prevention system, and mail content security control systems, are used to filter network traffic, which can effectively prevent external network attacks and block malicious software, harmful website links, and spam emails in real-time. Hosts and endpoints within in internal network are deployed with anti-virus software from central console to update virus patterns at any time and identify malicious behavior characteristics in real-time. It can be blocked viruses, ransomware, and malicious programs in files in real-time, effectively reducing the risk of damage caused by hacker attacks.

2. Information security policy:

- (1) To ensure the security of data, systems, equipment, and network communications, the user's company focuses on blocking external intrusion and damage.
- (2) Ensuring that access permissions to system information accounts and system changes are authorized through company-prescribed procedures is essential.

- (3) Implement destruction procedures; discarded computer storage media should be destroyed to prevent accidental exposure and data leakage.
- (4) Monitor the security status and activity logs of information systems to effectively manage and handle information security incidents.
- (5) Maintain the availability and integrity of data and systems; in the event of a disaster or damage, restore normal operations.

Currently, our company's information security measures are comprehensive. We are also considering cybersecurity insurance, which is still an emerging insurance option, and are in the evaluation phase regarding its applicability.

3. Specific management plans and resources invested in information ty management:

The company regularly reviews internal information security specifications, establishes a security risk management framework for data communication, plans data communication security promotion, considers data communication security policies and objectives when allocating relevant resources, and provides the establishment, implementation, maintenance, and continuous improvement of data communication security. Maintain the resources required for the program. To reduce the risk loss and compensation liability caused by business interruption, in order to strengthen the cybersecurity protection capability, vulnerability scanning and penetration testing are conducted half-annually, analyze the internal risk level according to the asset value, weakness, threat, and influence, and formulate security measures to strengthen the project based on the risk assessment results to ensure and improve enhance overall cybersecurity environment.

To address the increasingly diverse and complex cyberattacks, our company has established a firewall replacement project. This project involves replacing the traditional firewall (Cisco ASA) with a next-generation firewall (Fortinet). In addition to standard firewall functionality, the next-generation firewall equipment also includes additional features such as intrusion prevention, malware protection, and more, effectively enhancing the overall quality of cybersecurity.

The user's company purchased new-generation virtual private network (VPN) equipment to enable employees to securely access internal company resources over the Internet. Employees' devices can connect back to the company and access internal resources through a secure network encryption tunnel.

To enhance the overall cybersecurity awareness among all employees, IT conduct cybersecurity education and cybersecurity announced training half-annual.

Information security management business, responsible for promoting information system, information security management system introduction and verification, internal information security audit, agency information security governance maturity assessment and education training, responsible for information system classification and protection benchmarks, security the promotion of business such as testing and business continuity operation drills. To promote the information security policy, regularly publicize the information security policy and objectives to colleagues, improve the cybersecurity awareness and functions of the subordinate personnel, and implement the information security maintenance plan to strengthen the information security management capacity, receive education training on information security through the education and training program.

5.6.2 In the most recent year and as of the date of publication of the annual report, losses, possible impacts, and countermeasures due to major information Security Incidents:

The operation of IT department can be implemented in accordance with the procedures specified by the company. The information system structure establishes a server backup redundancy and data backup mechanism to ensure that various services are not interrupted, and the integrity and security of data are ensured. Adding an uninterruptible power system (UPS) reduces the system instantaneous downtime to ensure data accuracy, reliability, and integrity. The risk assessment results are still positive. Therefore, there is no major adverse impact on the company's information security and operational risks up to recent annual and year-to-date of publication of the annual report.

Adhering to relevant information security policies and the company's corresponding internal regulations, each employee should be responsible for information security management minimize the operational risk with IT infrastructure or service. Regular audits are conducted on various information matters in accordance with the law or regulation to ensure that the information security system is complete and relevant policies have been implemented.

5.7 Material Contracts

	Contract Type	Contract Parties	Term of Agreement	Main Purpose	Restrictions
1	Distribution Agreement	Alvogen Korea Co., Ltd. and Roche Korea	2013/09/10 ~	Distribution	N/A
2	Distribution Agreement	Alvogen Korea Co., Ltd. and Astrazeneca Korea Ltd.	2016/10/01 ~	Distribution	N/A
3	Distribution Agreement	Alvogen Korea Holdings Ltd.	2017/04/02 ~	Distribution	N/A
4	Distribution Agreement	Alvogen Group Inc.	2019/01/10 ~	Distribution	N/A
5	Settlement Agreement	Alvogen Pine Brook LLC and Celgene	2019/03/19	REVLIMID® product rights	N/A
6	Distribution Agreement	Alvogen Korea Co., Ltd. and Chong Kun Dang	2019/06/26 ~	Sales	N/A
7	Distribution Agreement	Alvogen Korea Co., Ltd. and Chong Kun Dang	2019/10/29 ~ 2024/12/31	Sales	N/A
8	Share Subscription Agreement	Innobic LL Holding Co., Ltd.	2021/04/16 ~	Investment	N/A
9	Distribution Agreement	Fuji Pharma Co. LTD	2021/06/30~ 2031/06/29	Distribution	N/A
10	Agreement for the Acquisition of Certain Assets	Eli Lilly and Company	2021/07/30 ~	Product rights	N/A
11	Distribution agreement	Eli Lilly Export S.A.	2021/07/30 ~ 2023/7/29	Sales	N/A
12	Agreement for the Acquisition of Certain Assets	Eli Lilly and Company	2022/03/22 ~	Product rights	N/A
13	Distribution agreement	Eli Lilly Export S.A.	2022/03/22 ~	Sales	N/A

	Contract Type	Contract Parties	Term of Agreement	Main Purpose	Restrictions
14	Distribution Agreement	Lotus International Pte. Ltd.	2022/09/27 ~	Distribution	N/A
15	Agreement for the Acquisition of Certain Assets	Eli Lilly and Company	2022/12/13 ~	Product rights	N/A
16	Distribution agreement	Eli Lilly Export S.A.	2022/12/19 ~	Sales	N/A
17	License Agreement	Unicycive Therapeutics Inc.	2023/2/1~	Product rights	N/A
18	Settlement Agreement	Novartis Pharmaceuticals Corporation	2023/12/08~	Midostaurin product rights	N/A
19	Distribution Agreement	Fuji Pharma Co., Ltd.,	2024/01/24~	Distribution	N/A
20	Loan	Alvogen Korea Holdings Ltd. and Shinhan Bank and Korea Investment & Securities Co., Ltd.	2021/03/05~ 2023/10/31	Loan	N/A
21	Loan	Citibank Taiwan Limited, Far Eastern International Bank and CTBC Bank Co., Ltd.	2022/06/24~ 2023/05/29	Loan	N/A
22	Guarantee	Far Eastern International Bank	2022/06/24~ 2023/05/29	Guarantee	N/A
23	Loan	Citibank Taiwan Limited, China Trust Commercial Bank and Mizuho Bank Co., Ltd.	2023/01/18~ 2023/05/29	Loan	N/A
24	Loan	China Trust Commercial Bank	2023/05/19~ 2023/10/16	Loan	N/A
25	Loan	China Trust Commercial Bank Co., Ltd. coordinates and the United Loan Bank Group	2023/09/27~	Loan	N/A
26	Guarantee	China Trust Commercial Bank	2023/09/27~	Guarantee	N/A
27	Loan	Alvogen Korea Co., Ltd. and Shinhan Bank and Korea Investment & Securities Co., Ltd.	2023/10/18~	Loan	N/A

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet—IFRS

1. Consolidated Reports

1.1 Condensed Balance Sheet

Unit : NT\$ thousands

Account		FYE	Consolidated				
			2019 (Note 2)	2020	2021	2022	2023
Current Asset			5,721,136	6,782,731	8,333,335	10,661,076	12,652,873
Property, Plant, and Equipment			1,875,997	2,193,068	2,541,975	3,046,727	3,257,798
Intangible Assets			5,910,026	5,895,681	5,585,847	5,667,605	5,669,621
Other intangible assets			2,910,506	3,830,990	3,863,034	7,315,373	7,364,995
Other assets			1,777,025	1,050,948	897,759	2,835,292	4,046,302
Total Assets			18,194,690	19,753,418	21,221,950	29,526,073	32,991,589
Current Liabilities	Before Allocation		3,100,524	4,883,081	4,325,941	5,893,018	4,524,277
	After Allocation		3,100,524	4,975,086	4,831,999	6,799,245	(Note 3)
Long-term borrowings			3,723,633	4,947,560	4,667,047	8,596,290	9,519,386
Loan payables to related parties			2,410,825	-	-	-	-
Other non-current liabilities			1,241,199	1,177,363	1,160,252	1,168,875	1,614,291
Total Liabilities	Before Allocation		10,476,181	11,008,004	10,153,240	15,658,183	15,657,954
	After Allocation		10,476,181	11,100,009	10,659,298	16,564,410	(Note 3)
Equity Attributable To Owners Of The Company			7,742,015	8,745,414	11,068,710	13,867,890	17,333,635
Share capital			2,431,140	2,453,540	2,627,963	2,625,913	2,649,583
Capital surplus			6,588,034	6,799,186	8,038,813	7,534,348	7,310,549
Accumulated deficits	Before Allocation		(652,936)	353,662	1,700,635	4,823,417	8,900,089
	After Allocation		(652,936)	261,657	1,700,635	4,823,417	(Note 3)
Other equity			(624,223)	(860,974)	(1,240,947)	(1,058,434)	(1,295,489)
Treasury shares			-	-	(57,754)	(57,354)	(51,097)
Equity Attributable To Former Owner Of Business Combination Under Common Control			(25,320)	-	-	-	-
Non-Controlling Interest			1,814	-	-	-	-
Total equity	Before Allocation		7,718,509	8,745,414	11,068,710	13,867,890	17,333,635
	After Allocation		7,718,509	8,653,409	10,562,652	12,961,663	(Note 3)

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2024 have not been reviewed by the Accountant.

Note 2: The acquisition in 2020 of Alvogen (Thailand), a subsidiary held by the Alvogen Group, is deemed to have been consolidated as of January 1, 2019, in accordance with the related letter, and the consolidated financial statements for the comparative period of 2019 have been restated and the impact is not material.

Note 3: As of the date of this annual report, the annual shareholders meeting has not been convened, therefore, the amount after adjustment has not yet been decided and disclosed.

1.2 Condensed Consolidated Income Statement

Unit : NT\$ thousands

Account	FYE	Consolidated				
	2019 (Note 2)	2020	2021	2022	2023	
Operating Revenues	9,611,195	10,728,583	12,649,189	14,632,772	16,957,971	
Gross Profits	4,421,960	4,596,623	5,640,120	7,806,149	9,383,812	
Operating Profits	1,200,358	1,612,663	2,295,427	4,111,114	4,902,942	
Non-operating income and expenses	(223,334)	(308,428)	(425,408)	(170,902)	199,983	
Income before income taxes	977,024	1,304,235	1,870,019	3,940,212	5,102,925	
Gain/(Loss) from continuing operation	767,244	1,029,651	1,403,371	3,020,757	4,105,626	
Net Income (Loss)	767,244	1,029,651	1,403,371	3,020,757	4,105,626	
Other comprehensive income (loss) for the period (net of Income Tax)	(525,083)	(106,547)	(402,063)	245,071	159,255	
Total comprehensive income for the period	242,161	923,104	1,001,308	3,265,828	4,264,881	
Net Income Attributable To Owners of the Company	662,807	1,026,796	1,403,371	3,020,757	4,105,626	
Net Income Attributable To Former owner of business combination under common control	88,961	2,431	-	-	-	
Net Income Attributable To Non-controlling interests	15,476	424	-	-	-	
Total Comprehensive Income Attributable To Owners of the Company	156,279	918,758	1,001,308	3,265,828	4,264,881	
Total Comprehensive Income Attributable To Former owner of business combination under common control	83,453	4,167	-	-	-	
Total Comprehensive Income Attributable To Non-controlling interests	2,429	179	-	-	-	
Earnings Per Share	2.74	4.22	5.50	11.59	15.72	

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2024 have not been reviewed by the Accountant.

Note 2: The acquisition in 2020 of Alvogen (Thailand), a subsidiary held by the Alvogen Group, is deemed to have been consolidated as of January 1, 2019, in accordance with the related letter, and the consolidated financial statements for the comparative period of 2019 have been restated and the impact is not material.

2. Stand-Alone Reports

2.1 Condensed Balance Sheet - stand-alone basis

Unit : NT\$ thousands

Account		FYE	Stand-Alone				
		2019 (Note 1)	2020	2021	2022	2023	
Current Asset		2,930,286	3,609,330	5,418,422	7,425,169	9,269,816	
Property, Plant, and Equipment		933,149	1,274,245	1,714,921	2,205,431	2,430,089	
Intangible Assets		2,751,253	2,751,253	2,751,253	2,751,253	2,751,253	
Other intangible assets		2,234,831	2,250,160	2,609,190	6,124,134	6,093,703	
Other assets		3,888,821	3,885,843	2,842,084	6,205,397	8,644,681	
Total Assets		12,738,340	13,770,831	15,335,870	24,711,384	29,189,542	
Current Liabilities	Before Allocation	1,330,376	3,400,287	2,820,046	4,323,751	3,209,021	
	After Allocation	1,330,376	3,492,292	3,326,104	5,229,978	(Note 2)	
Long-term borrowings		1,141,748	1,529,556	1,175,275	6,093,531	7,981,214	
Loan payables to related parties		2,253,450	-	-	-	-	
Other non-current liabilities		296,071	95,574	271,839	426,212	665,672	
Total Liabilities	Before Allocation	5,021,645	5,025,417	4,267,160	10,843,494	11,855,907	
	After Allocation	5,021,645	5,117,422	4,773,218	11,749,721	(Note 2)	
Equity Attributable To Owners Of The Company		7,742,015	8,745,414	11,068,710	13,867,890	17,333,635	
Share capital		2,431,140	2,453,540	2,627,963	2,625,913	2,649,583	
Capital surplus		6,588,034	6,799,186	8,038,813	7,534,348	7,130,549	
Accumulated deficits	Before Allocation	(652,936)	353,662	1,700,635	4,823,417	8,900,089	
	After Allocation	(652,936)	261,657	1,700,635	4,823,417	(Note 2)	
Other equity		(624,223)	(860,974)	(1,240,947)	(1,058,434)	(1,295,489)	
Treasury shares		-	-	(57,754)	(57,354)	(51,097)	
Equity Attributable To Former Owner Of Business Combination Under Common Control		(25,320)	-	-	-	-	
Total equity	Before Allocation	7,716,695	8,745,414	11,068,710	13,867,890	17,333,635	
	After Allocation	7,716,695	8,653,409	10,562,652	14,774,117	(Note 2)	

Note 1: The acquisition in 2020 of Alvogen (Thailand), a subsidiary held by the Alvogen Group, is deemed to have been consolidated as of January 1, 2019, in accordance with the related letter, and the consolidated financial statements for the comparative period of 2019 have been restated and the impact is not material.

Note 2: As of the date of this annual report, the annual shareholders meeting has not been convened, therefore, the amount after adjustment has not yet been decided and disclosed.

2.2 Condensed Consolidated Income Statement - stand-alone basis

Unit : NT\$ thousands

Account	FYE	Stand-Alone				
	2019 (Note 1)	2020	2021	2022	2023	
Operating Revenues	3,902,452	4,936,162	6,629,829	8,742,896	10,811,942	
Gross Profits	1,689,305	1,986,265	2,970,525	5,016,087	6,584,996	
Operating Profits	604,966	955,626	1,587,620	3,298,661	4,095,412	
Non-operating income and expenses	244,333	247,182	114,044	391,162	935,615	
Income before income taxes	849,299	1,202,808	1,701,664	3,689,823	5,031,027	
Gain/(Loss) from continuing operation	751,768	1,029,227	1,403,371	3,020,757	4,105,626	
Net Income (Loss)	751,768	1,029,227	1,403,371	3,020,757	4,105,626	
Other comprehensive income (loss) for the period (net of Income Tax)	(512,036)	(106,302)	(402,063)	245,071	159,255	
Total comprehensive income for the period	239,732	922,925	1,001,308	3,265,828	4,264,881	
Net Income Attributable To Owners of the Company	662,807	1,026,796	1,403,371	3,020,757	4,105,626	
Net Income Attributable To Former owner of business combination under common control	88,961	2,431	-	-	-	
Total Comprehensive Income Attributable To Owners of the Company	156,279	918,758	1,001,308	3,265,828	4,264,881	
Total Comprehensive Income Attributable To Non-controlling interests	83,453	4,167	-	-	-	
Earnings Per Share	2.74	4.22	5.50	11.59	15.72	

Note 1: The acquisition in 2020 of Alvogen (Thailand), a subsidiary held by the Alvogen Group, is deemed to have been consolidated as of January 1, 2019, in accordance with the related letter, and the consolidated financial statements for the comparative period of 2019 have been restated and the impact is not material.

3. Auditor's Opinion in the most recent 5 years

FYE	Name of Auditor	Opinion
2019	Lilac Shue, Eddie Shao	Unqualified Opinion
2020	Lilac Shue, Eddie Shao	Unqualified Opinion
2021	Archie Cheng, Allan Yu	Unqualified Opinion
2022	Archie Cheng, Allan Yu	Unqualified Opinion
2023	Archie Cheng, Allan Yu	Unqualified Opinion

6.2 Five-Year Financial Analysis 1. Financial Analysis—IFRS (1) Stand-alone financial analysis under IFRS

1. Consolidated Reports

Analysis Items		FYE	The Most Recent 5-yr Stand-alone Financial Data				
		2019 (Note 2)	2020	2021	2022	2023	
Financial Structure	Debt-to-Asset Ratio (%)	57.57	55.72	47.84	53.03	47.46	
	Long-term fund to PPE Ratio (%)	804.59	678.06	664.68	775.68	873.82	
Liquidity	Current Ratio (%)	184.52	138.90	192.63	180.91	279.66	
	Quick Ratio (%)	139.29	92.35	119.92	123.18	191.71	
	Interest Coverage Ratio (%)	3.78	4.90	7.29	11.30	10.15	
Operating Performance	Account Receivables Turnover (Times)	5.62	4.38	4.35	3.86	3.18	
	Average day of Receivables (Days)	64.94	83.33	83.90	94.55	114.77	
	Inventory Turnover (Times)	4.14	3.45	2.65	2.13	2.13	
	Account Payable Turnover (Times)	6.24	4.59	5.65	6.34	7.30	
	Average Day of Sales (Days)	88.16	105.79	137.73	171.36	171.36	
	PPE Turnover (Times)	5.20	5.27	5.34	5.23	5.37	
	Total assets turnover (Times)	0.58	0.56	0.61	0.57	0.54	
Profitability	Return on Assets (%)	6.33	6.83	8.00	13.11	14.56	
	Return on Equity (%)	9.96	12.50	14.16	24.22	26.32	
	Profit Before Tax to Capital Stock (%)	40.18	53.15	71.15	150.05	192.59	
	Profit Margin (%)	7.98	9.59	11.09	20.64	24.21	
	EPS (Dollars)	2.74	4.22	5.50	11.59	15.72	
Cash Flow	Cash Flow Ratio (%)	13.54	39.90	2.76	63.11	35.67	
	Cash Flow Adequacy Ratio (%)	93.56	71.52	43.35	58.78	48.92	
	Cash Reinvestment Ratio (%)	6.32	33.91	0.33	33.22	5.30	
Leverage	Operating Leverage	2.26	1.82	1.72	1.42	1.43	
	Financial Leverage	1.41	1.26	1.15	1.10	1.13	
<p>Explanations:</p> <p>(1) Long-term fund to PPE Ratio, profit before tax to capital stock and EPS: Mainly due to the enhanced profitability resulting from the increase in revenues.</p> <p>(2) Current Ratio, Quick Ratio and Average day of Receivables: Mainly due to the increase in account receivable from related parties.</p> <p>(3) Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the decrease in net cash inflow from operating activities.</p>							

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2024 have not been reviewed by the Accountant.

Note 2: The acquisition in 2020 of Alvogen (Thailand), a subsidiary held by the Alvogen Group, is deemed to have been consolidated as of January 1, 2019, in accordance with the related letter, and the consolidated financial statements for the comparative period of 2019 have been restated and the impact is not material.

2. Stand-Alone Reports

Analysis Items		FYE	The Most Recent 5-yr Stand-alone Financial Data				
		2019 (Note 1)	2020	2021	2022	2023	
Financial Structure (%)	Debt-to-Asset Ratio (%)	39.42	36.49	27.82	43.88	40.61	
	Long-term fund to PPE Ratio (%)	1222.52	813.85	729.81	924.42	1069.11	
Liquidity	Current Ratio (%)	220.25	106.14	192.13	171.72	288.86	
	Quick Ratio (%)	180.94	75.15	119.85	125.97	229.82	
	Interest Coverage Ratio (%)	6.37	11.83	24.99	30.85	16.84	
Operating Performance	Account Receivables Turnover (Times)	4.85	3.16	3.17	2.92	2.38	
	Average day of Receivables (Days)	75.25	115.50	115.14	125.00	153.36	
	Inventory Turnover (Times)	4.63	3.86	2.42	1.92	2.30	
	Account Payable Turnover (Times)	5.93	3.05	3.58	4.98	6.02	
	Average Day of Sales (Days)	78.83	94.55	150.82	190.10	158.69	
	PPE Turnover (Times)	4.42	4.47	4.43	4.46	4.66	
	Total Assets Turnover (Times)	0.32	0.37	0.45	0.43	0.40	
Profitability	Return on Assets (%)	7.33	8.43	10.03	15.57	16.17	
	Return on Equity (%)	10.06	12.50	14.16	24.22	26.31	
	Profit Before Tax to Capital Stock (%)	34.93	49.02	64.75	140.51	189.87	
	Profit Margin (%)	19.26	20.85	21.16	34.55	37.97	
	EPS (Dollars)	2.74	4.22	5.50	11.59	15.72	
Cash Flow	Cash Flow Ratio (%)	5.52	40.09	(13.69)	71.13	63.45	
	Cash Flow Adequacy Ratio (%)	19.26	54.36	23.80	51.01	52.82	
	Cash Reinvest Ratio (%)	1.13	23.70	(6.24)	21.27	6.34	
Leverage	Operating Leverage	2.09	1.61	1.56	1.29	1.35	
	Financial Leverage	1.35	1.13	1.05	1.04	1.08	
<p>Explanations:</p> <p>(1) Current Ratio, Quick Ratio and Average day of Receivables: Mainly due to the increase in account receivable from related parties.</p> <p>(2) Interest coverage ratio: Mainly due to the increase in interest expenses.</p> <p>(3) Inventory turnover and account payable turnover: Mainly due to the increase in revenues led to an increase in cost of goods sold.</p> <p>(4) Profit before tax to capital stock and EPS: Mainly due to the enhanced profitability resulting from the increase in revenues.</p> <p>(5) Cash flow ratio, cash flow adequacy ratio and cash reinvest ratio: Mainly due to the decrease in net cash inflow from operating activities.</p>							

Note 1: The acquisition in 2020 of Alvogen (Thailand), a subsidiary held by the Alvogen Group, is deemed to have been consolidated as of January 1, 2019, in accordance with the related letter, and the consolidated financial statements for the comparative period of 2019 have been restated and the impact is not material.

6.3 Audit Committees' Review Report in the Most Recent Year

美時化學製藥股份有限公司
Lotus Pharmaceutical Co., Ltd.
審計委員會查核報告書
Audit Committee Review Report

董事會造具本公司民國一一二年度之財務報表及合併財務報表，業經安侯建業聯合會計師事務所鄭志安會計師及游萬淵會計師共同查核簽證完竣，連同營業報告書及盈餘分派表經本審計委員會查核，認為尚無不符，爰依證券交易法第十四條之四及公司法第二百零九條規定繕具報告，敬請 鑒核。

此致

美時化學製藥股份有限公司一一三年股東常會

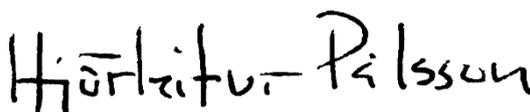
審計委員會召集人: Hjorleifur Palsson

To 2024 Annual General Meeting of Lotus Pharmaceutical Co., Ltd

The Company's 2023 standalone Financial Statements and consolidated Financial Statements prepared by the Board of Directors have been duly audited by KPMG. The Financial Statements, along with the Business Report and proposal for appropriation of earnings, have been reviewed and determined to be correct and accurate by the Audit Committee members of Lotus Pharmaceutical Co., Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Lotus Pharmaceutical Co., Ltd

Chairman of Audit Committee : Hjorleifur Palsson



中 華 民 國 一 一 三 年 三 月 十 四 日

Date: March 14th, 2024

6.4 Consolidated Financial Statements and report of Independent Auditors' Report:

Please refer to Page 117~194

6.5 Parent company only Financial Statements and report of Independent Auditors' Report:

Please refer to Page 195~261

6.6 If the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation: Not applicable.

VII. Financial Status, Operating Results, and Risk Management

7.1 Financial Status

Unit: NTD in thousands

Item	Year	2022	2023	Difference	
				Amount	%
Current assets		10,661,076	12,652,873	1,991,797	19
Financial asset at fair value through profit or loss – non-current		1,869,650	2,584,701	715,051	38
Financial assets at fair value through other comprehensive income – non current		288,673	463,611	174,938	61
Property, plant and equipment		3,046,727	3,257,798	211,071	7
Right-of-use assets		101,516	253,419	151,903	150
Goodwill		5,667,605	5,669,621	2,016	-
Other intangible assets		7,315,373	7,364,995	49,622	1
Deferred tax assets		390,119	411,687	21,568	6
Other non-current assets		185,334	332,884	147,550	80
Total assets		29,526,073	32,991,589	3,465,516	12
Current liabilities		5,893,018	4,524,277	(1,368,741)	(23)
Long-term borrowings		8,596,290	9,519,386	923,096	11
Deferred tax liabilities		448,397	721,199	272,802	61
Other non-current liabilities		720,478	893,092	172,614	24
Total liabilities		15,658,183	15,657,954	(229)	-
Share capital		2,625,913	2,649,583	23,670	1
Capital surplus		7,534,348	7,130,549	(403,799)	(5)
Retained earnings		4,823,417	8,900,089	4,076,672	85
Other equity		(1,058,434)	(1,295,489)	(237,055)	22
Treasury shares		(57,354)	(51,097)	6,257	(11)
Total equity		13,867,890	17,333,635	3,465,745	25

Analysis of items that have increased or decreased (by over 20% in percentage and by over NT\$10,000,000 in amount) in the most recent two years:

- (1) Financial asset at fair value through profit or loss – non-current: Mainly due to the valuation gains on FVTPL.
- (2) Financial assets at fair value through comprehensive income – non current: Mainly due to the valuation gains on the investment of Fuji Pharma Co.,Ltd. .
- (3) Right-of-use assets: Mainly due to the newly leased office.
- (4) Other non-current assets: Mainly due to the increase in long-term account receivables.
- (5) Current liabilities: Mainly due to the payment of the product rights.
- (6) Long-term borrowings: Mainly due to the new-added syndicated loan in the Company and its subsidiaries in Korea.
- (7) Deferred tax liabilities: Mainly due to the increase of deferred income tax related to the capitalization of R&D expenses and FVTPL.
- (8) Retained earnings: Mainly due to the increase of profit.
- (9) Other equity: Mainly due to the increase of unearned compensation from the new RSA plan.

7.2 Financial Performance

7.2.1 Comparison and Analysis of the Operating Results of the Most Recent Two Years

Unit: NTD in thousands

Item \ Year	2022	2023	Increase (decrease) Amount	Increase (decrease) Percentage(%)
Operating income	14,632,772	16,957,971	2,325,199	16
Operating costs	6,826,623	7,574,159	747,536	11
Operating gross profit	7,806,149	9,383,812	1,577,663	20
Operating expenses	3,695,035	4,480,870	785,835	21
Operating profit	4,111,114	4,902,942	791,828	19
Non-operating income and expenditure	(170,902)	199,983	370,885	(217)
Net profit before tax	3,940,212	5,102,925	1,162,713	30
Income tax (cost) interest	(919,455)	(997,299)	(77,844)	8
Net profit after tax	3,020,757	4,105,626	1,084,869	36
<p>Analysis of items that have increased or decreased (by over 20% in percentage and by over NT\$10,000,000 in amount) in the most recent two years:</p> <p>(1) Operating gross profit: Mainly due to the increase of revenues from Lenalidomide, Buprenorphine/ Naloxone and first-to-launch products.</p> <p>(2) Operating expenses: Mainly due to the product amortization, payroll and the selling expenses from global expansion and promotion activities.</p> <p>(3) Non-operating income and expenditure: Mainly due to gain on valuation of financial asset.</p> <p>(4) Net profit before tax and Net profit after tax : Mainly due to the increase in revenue and profit through a diversified product portfolio.</p>				

7.2.2 Projected Sales Volume in the Following Year, Its Basis, and Potential Impacts on Future Finances and Countermeasures:

1. Projected sales volume in the following year and basis

The company will continue its dual-track strategy for business development, including expanding into the Asia-Pacific market with niche products, and growing alongside global opportunities in oral oncology and specialty generics through niche selection, formulation research and development, global licensing, global registration, Taiwan production, and global supply.

2. Potential impacts on future finances and countermeasures

The company focuses on expanding the demand for product exports, developing a diverse portfolio of products, and striving to address global market demands and cooperation opportunities. Evolving from a pharmaceutical research and development company in Taiwan to a multinational pharmaceutical company with a diverse product portfolio, it aims to establish a solid presence in the Asia-Pacific region while also looking towards global markets, aiming to mitigate the risks associated with fluctuations in a single market or region.

7.3 Cash Flow

7.3.1 Cash Flow Analysis for the Most Recent Two Years:

	2022	2023	Increases (decrease) Percentage
Cash flow percentage (%)	63.11	35.67	(43.48)
Cash flow allowable percentage (%)	58.78	48.92	(16.77)
Cash reinvestment percentage (%)	33.22	5.3	(84.05)

The change in cash flow, allowable cash flow, cash reinvestment: payment of more taxes, which was caused by the increase in profit, as well as the increase in accounts receivable from related parties, resulting in a decrease in cash inflows from operating activities.

7.3.2 Liquidity Improvement Plan:

The Company's performance and cash flow have grown steadily. Therefore, the Company has not experienced liquidity shortages.

7.3.3 Cash Flow Analysis for the Following Year:

Cash Balance at the Beginning of the Period (1)	Estimated Annual Cash Inflow from Operating Activities (2)	Estimated Annual Cash Outflow (3)	Estimated Cash Surplus (insufficiency) (1) + (2) - (3)	Remedial Measures for Estimating Insufficient Cash Balance	
				Fundraising Plan	Financial Plan
1,770,880	6,891,541	4,751,664	3,910,756	Not applicable	Not applicable

Analysis of changes in cash flow in the current year:

- Annual net cash flow from operating activities is primarily derived from operating activities. Cash flow was stable.
- Estimated annual cash outflow and investment activities primarily derived from capital expenditures (incl. intangible assets) and repayment of long-term borrowings.
- In response to the company's strategic planning and business development, fundraising plans or financial planning may be carried out.

7.4 Major Capital Expenditures in the Most Recent Year and Their Impact on Financial and Business Operations

7.4.1 Major Capital Expenditures Estimated Use and Source of Funds:

Units: NTD in thousands

Project	Source of Funds	Complete Date	Total Amount
Site Master Plan & Upgrade	The Company's owned capital and revenue	2023/12/31	501,370

7.4.2 Major Capital Expenditures Anticipated Benefits

Seizing global opportunities for oral oncology drugs and specialty generic drugs through the selection of niche drug candidates; a turnkey whole factory export business model; formulation research and development; global licensing; international registration of pharmaceuticals; Taiwanese manufacturing; and international sales.

7.5 Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plan, and Investment Plans for the Following Year

7.5.1 The Company's Investment Policy

The Company's management policy for invested businesses is primarily based on the Rules Governing Financial and Business Matters Between Affiliated Enterprises, Operating Procedures of Transactions Between Affiliates, Specific Companies, and Group Subsidiaries, and Regulations Governing the Subsidiaries of Lotus Pharmaceutical under the Regulations Governing the Internal Control of Lotus Pharmaceutical. The policy serves as a basis for the control and supervision of invested businesses. Lotus has adopted a risk management system for subsidiary operations in order to maximize business performance.

7.5.2 The Major Reasons for Investment Gains or Losses in the Most Recent Year, Corresponding Improvement Plans, and Investment Plans for the Following Year

Dec 31st, 2023; Unit: NTD in thousand

Item	Description	Profits or Losses in 2023	Business Activities	Main Causes for Profits or Losses	Improvement Plans	Future Investment Plans
	Alvogen Korea Holdings Ltd.	310,988	Investment business	Investment business	None	None
	Alvogen Pharma India Pvt Ltd.	20,509	Investment business	Investment business	None	None
	Lotus International Pte.Ltd.	6,723	Investment business and drug distribution	Expansion business	None	None
	Alvogen (Thailand) Ltd.	(12,318)	Distribution of medical and chemical drugs	Sales business	To decrease of expenses	None
	Lotus Support Services SRL	2,791	Service of medical and regulatory affairs	Medical and regulatory affairs	None	None
	Lotus Alvogen Malta Ltd.	3,117	Distribution of medical and chemical drugs and other consultant services	Expansion business	None	None
	Lotus Pharmaceutical, HK Ltd.	535	Data collection and agency business in Hong Kong	Investment business	None	None
	Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited	377	Medical health management, trade information, and market planning and business information	Medical technology consulting services	None	None
	Lotus Japan Holdings Co., Ltd.	8,192	Distribution of drug and medical equipment	Dividend income of investment	None	None
	Avos Pharma Science Co., Ltd.	70	Biotechnology service, distribution of medical equipment and other consultant services	Operations in Taiwan	None	None

Item \ Description	Profits or Losses in 2023	Business Activities	Main Causes for Profits or Losses	Improvement Plans	Future Investment Plans
Lotus Healthcare Malaysia Sdn. Bhd.	235	Sales business and other consultant services	Expansion business	None	None
Lotus Healthcare Philippines Corp.	(19,405)	Sales business and other consultant services	Expansion business	To decrease of expenses	None
Lotus Pharma Bulgaria EOOD	2,148	Sales business and other consultant services	Expansion business	None	None
Lotus Pharma ehf.	429	Sales business and other consultant services	Expansion business	None	None
Meishi Pharma Service Pte. Ltd.	(86)	Management and consultant services	Expansion business	To decrease of expenses	None
Meishi Pharma Services Private Limited	(8,775)	Management and consultant services	Increase in the operating expenses at the early stage	To become the R&D center	None

7.6 Risk Management

Assessments of risk management organization, structures, and matters in the current year up to the date of printing are as follows:

Risk management execution and responsible units:

- (1) Financial risk, liquidity risk, credit risk: Financial and Accounting Department→General Manager's Office→Chairman's Office
- (2) Legal risk: Legal Affairs Department→General Manager's Office
- (3) Market risk, operational risk: Sales and Marketing Department/Manufacturing facility→General Manager's Office
- (4) R&D control risk: Research and Development Department→Manufacturing facility→General Manager's Office

The aforementioned units identify, analyze, and measure potential risks and implement countermeasures in accordance with laws and regulations. The Audit Department reviews the risk items and reports to the Board of Directors.

7.6.1 Effect of Inflation and Changes in Interest Rates and Foreign Exchange Rates on the Company's Profits and Losses and Future Countermeasures:

The impact of changes in interest rates and exchange rates on the Company's profit and loss in 2023:

Units: NTD in thousands; %

Item	2023
Net interest income (expenditure)	(525,849)
Net exchange gain (loss)	91,674
Net interest income (expenditure) as a percentage of net revenue (%)	(3.10)
Net interest income (expenditure) as a percentage of pre-tax net loss (%)	(10.30)
Net exchange gain (loss) as a percentage of net revenue (%)	0.54
Net exchange gain (loss) as a percentage of pre-tax net loss (%)	1.80

1. Interest rate changes: The Company's 2023 interest expenditure was -3.10% of its net revenues. Interest expenses accounted for -2.59% of the Company's net revenues of 2022 as a result of increased long-term loans. In the future, it plans to continue negotiating lending conditions and interest expenditure reductions with the lending institutions.
2. Changes in the exchange rate: In 2023, the Company listed the exchange gain amounting to NT\$91,674 thousand, which was 0.54% of its net revenue. Therefore, the impact of changes in the exchange rate was minimal. In the future, the Company will monitor the foreign exchange fluctuations and evaluate the related influence continuously.
3. Inflation: Inflation had no significant impact on Company profits/losses. Nonetheless, the Company will continue to monitor inflation and adjust sales prices and inventories accordingly.
4. Countermeasures:
 - (1) The Company shall pay attention to trends in major currencies in the international currency market as well as non-economic international trends and changes to remain up-to-date on the latest exchange rates and adopt countermeasures in a timely manner. It shall take into account the risk imposed by changing interest rates during the quoting process and adjust sales prices accordingly to ensure profitability.
 - (2) The Company primarily pays for purchases in the same currency to automatically hedge risk.
 - (3) The Company shall regularly collect financial information and foreign exchange reports from financial institutions and consolidate the data to determine foreign exchange and interest rate trends, and adjust foreign exchange and capital strategies as necessary.
 - (4) The Company shall monitor future trends and utilize a range of financial instruments in the capital market to reduce the cost of capital.

7.6.2 Main Reasons for Profit or Losses Experienced From High-risk, High-leverage Investments, Capital Loans to Others, Endorsements and Guarantees, and Trading Policies for Derivative Products as Well as Future Countermeasures:

Loaning and endorsement information for the current year up to the date of printing has been disclosed on the Market Observation Post System. In addition, the Company does not hold any high-risk and highly-leveraged investments or trade in derivative products. If financing, endorsements, or the trading of derivative products are required to satisfy operational needs in future, matters shall be handled in accordance with the Procedures for Acquisition or Disposal of Assets, Procedures for Loaning of Funds and Making of Endorsements Guarantees. Relevant information shall be promptly and accurately announced in accordance with laws and regulations.

7.6.3 Future R&D Plans and Projected Investment Schedules and R&D Expenses:

The of capitalization excluding R&D expenses in 2024 is projected to be more than NTD \$1.3 billion. The main R&D direction is to continue to focus on manufacturing difficult generic drugs and expanding into highly regulated global markets. High value-added products shall be prioritized.

7.6.4 Potential Impacts of Changes in Domestic and International Policies and Regulations on Corporate Finance and Business and Their Countermeasures:

In Asian countries, the pharmaceutical market is similarly affected by healthcare drug pricing, with Taiwan's National Health Insurance (NHI) system, in particular, limiting the overall business growth and development of existing product portfolios due to its global budget system. Therefore, the company focuses on introducing and developing new products, strengthening existing product portfolios to gain higher market share in key markets, and increasing export activities beyond its primary markets to offset the adverse effects of existing market trends. In recent years, the company has been dedicated to expanding into overseas markets and seeking collaboration opportunities, successfully penetrating markets outside Taiwan and establishing a stable market position in the Asia-Pacific region, thereby reducing market risks caused by fluctuations in policies and regulations within a single market or region.

7.6.5 Potential impacts of disruptive technology (including information security risk) and industry change on corporate finance and business and their countermeasures:

1. With the increasing emphasis on regimen and hygiene among the national, the demand for biopharmaceuticals continues to rise. Additionally, due to rapid advancements in technology, our company continuously upgrades manufacturing facilities that comply with the standards of the U.S. Food and Drug Administration (FDA). We prioritize strict quality control, actively develop formulations, and optimize clinical trial designs to stay ahead of market demands as our operational goal.

2. Information security risk assessment and analysis:

The company has established a computerized information system processing procedures to implement the internal control systems and maintain information security policies. They conduct annual reviews and evaluations of security regulations and procedures to ensure their adequacy and effectiveness.

Below are detail explanations:

- (1) System account life cycle management and permission account management

User account and permission are set according to each business requirement and responsibilities. Access to data must approval through the sign-off process, which must be apply and approved by relevant manager before access or modification. Once users resigned from their original job position, their account and permission are immediately terminated to prevent unauthorized access.

- (2) Data access record and backup

The system log, file access track record, emails, and other relate date are archived and preserved. Upon completion of the decommissioning process, all computers undergo hardware dismantling and destruction to comply with regulatory management systems and information security policies.

- (3) Continuous operation of the information system

System and document are backed up daily, weekly, and monthly. Monthly backup data is transmitted to the off-site data center for off-site backup. The system data recovery test is performed regularly annually to ensure the normal operation of the operation system and data preservation reduce the risk of data lost caused by unforeseen natural disasters and man-made disasters.

IT Department of the company executes operations according to the company's prescribed procedures, ensuring data integrity and security. The risk assessment results are positive, indicating no significant adverse impact from technological changes on company information security or major operational risks up to the most recent annual and year-to-date report printing dates.

7.6.6 Potential Impacts of Changes in Corporate Image on Corporate Crisis Management and Their Countermeasures:

In recent years, Lotus has been continuously enhancing corporate governance to safeguard shareholder interests. Externally, the company holds quarterly investor briefings to present its operational status, vision, and future prospects, while strengthening communication with various stakeholders to increase the transparency of company information.

Internally, for employees, the company hosts 'Yellow Friday' events irregularly on the last Friday of each month, organized by the welfare committees in various locations. These events allow colleagues to get to know each other's cultures through activities, promoting cultural integration, enhancing communication, and fostering a sense of unity.

7.6.7 Anticipated Benefits and Potential Risks of Mergers and Acquisitions and Their Countermeasures:

From the beginning of 2023 to the date of the Annual Report, there have been no acquisitions.

7.6.8 Anticipated Benefits and Potential Risks of Capacity Expansion and Their Countermeasures:

The company continues to upgrade the machinery and equipment at its Nantou factory and provides training for personnel to supply anti-cancer drugs and various prescription medications. For certain mature products, the company will seek qualified contract manufacturers based on market demand. Therefore, there is no short-term need for expanding the factory premises.

7.6.9 Potential Risks of Concentrated Procurement and Sales, and Countermeasures:

1. Risk of inbound concentration: In recent years, the company has been continuously strengthening its product portfolio and enhancing the layout of independently developed products in target markets. Due to the localization of supply chains caused by the COVID-19 pandemic in various countries in recent years, the company has actively diversified the sources of raw material supply and strengthened supply chain management to accommodate its ongoing growth strategy. Therefore, the company's current operational status does not entail risks associated with centralized procurement.
2. Risk of sales concentration: In recent years, our company has embarked on a proactive transformation from a generic drug manufacturer to a hybrid drug manufacturer. This transformation includes acquiring branded drugs (such as Cialis and Alimta), collaborating with other companies to develop 505(b)2 new drugs (such as NRx-101 for bipolar disorder jointly developed and globally exclusively marketed by NRx), obtaining licensing and sales rights for new molecular entities (such as Zepzelca), and introducing biosimilar drugs. These initiatives aim to achieve diversification in product sales, target markets, and sales partners, further reducing the risk associated with concentrated sales.

7.6.10 Potential Impacts and Risks of the Sales or Transfers of Significant Numbers of Shares by the Company's Directors, or Major Shareholders Holding More Than 10% of Outstanding Shares and Their Countermeasures:

In July 2023, the corporate directors and major shareholder, Alvogen Emerging Markets Holdings Limited, a Hong Kong-based company, transferred 9.56% of their shares, reducing their ownership from 51.05% to 41.49%. This decision was made to address concerns regarding concentrated ownership and enhance the liquidity of the company's stock by diversifying ownership among institutional investors. Despite this adjustment, the primary shareholder still holds over forty percent of the shares, maintaining control over the company's operations without significant impact on its financial activities.

7.6.11 Potential Impacts and Risks of Replacement of Management and Their Countermeasures:

There have been no changes in ownership or control of the company during the most recent fiscal year and up to the date of this year's publication.

7.6.12 Litigations and Non-Litigated Incidents:

1. Ruled or pending litigation, non-litigation, or administrative litigation cases of the Company in the past two years to the date of printing that significantly influenced shareholder rights or stock prices: Please refer to Notes 9 to the accompanying consolidated financial statements.
2. Ruled or pending litigation, non-litigation, or administrative litigation cases of Company Directors, general managers, substantive Directors, or major shareholders who own 10% or more of company stock in the past two years to the date of printing that significantly influenced shareholder rights or stock prices: None
3. Occurrence of situations specified in Article 157 of the Securities and Exchange Act of Company Directors, general managers, substantive Directors, or major shareholders who own 10% or more of company stock in the past two years to the date of printing, and current status: None

7.6.13 Other Major Risks and Their Countermeasures: None

7.7 Additional Information: None

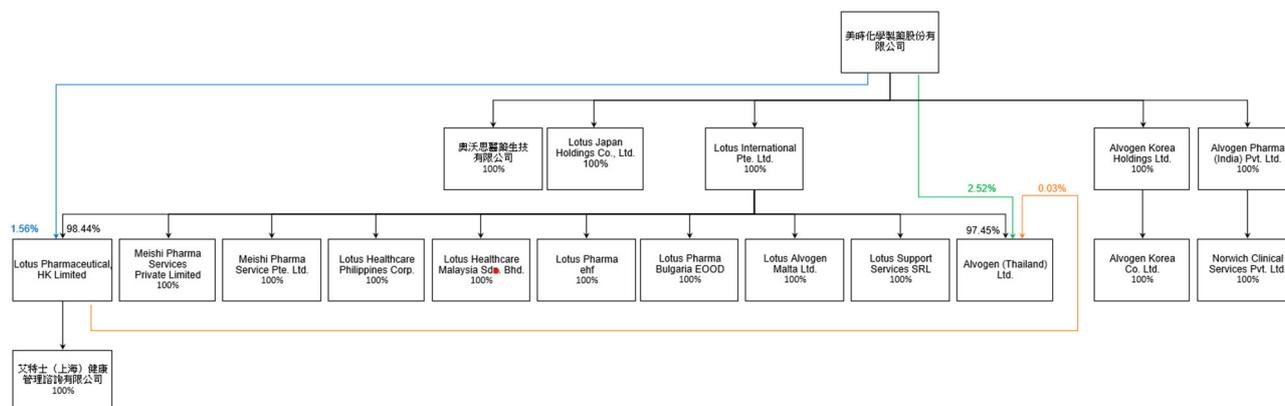
VIII. Special Notes

8.1 Affiliated Businesses

8.1.1 Consolidated Statements of Operation of Affiliated Businesses

1. Overview of affiliates

(1) Organizational chart of affiliates (as of Dec 31st, 2023)



None of the aforementioned affiliates own shares in the Company.

(2) Presumed to be a controlled and affiliated company in accordance with Article 369-3 of the Company Act: None

2. Basic information on affiliates

As of Dec 31st, 2023; Unit: NTD in thousands unless otherwise specified

Business Name	Date of Establishment	Address	Paid-In Capital	Business Activities
Alvogen Korea Holdings Ltd.	Sep, 2012	5FL. GT Tower, 411, Seocho-daero, Seocho-gu, Seoul, Republic of Korea	KRW \$7,282,995K	Investment business
Alvogen Korea Co., Ltd.	Jan, 1958	5FL. GT Tower, 411, Seocho-daero, Seocho-gu, Seoul, Republic of Korea	KRW \$50,109,040K	Manufactures and sells medicines
Alvogen Pharma India Pvt Ltd.	Apr, 2010	No.147/F, 8th Main, 3rd Block, Koramangala, Bangalore-560034, Karnataka, India	INR \$5,118K	Investment business
Norwich Clinical Services Private Limited	Nov, 2009	No.147/F, 8th Main, 3rd Block, Koramangala, Bangalore-560034, Karnataka, India	INR \$2,032K	Contract research organization
Lotus International Pte. Ltd.	May, 2003	9 Raffles Place, #26-01 Republic Plaza, Singapore 048619	USD \$60,600K	Investment business and sale of medicine
Alvogen (Thailand) Ltd.	Oct, 2010	1126/2 Vanit Building II, 15th Floor, Room 1501-1502, New Petchburi Road, Makkasan Sub-district, Ratchathevi District, Bangkok 10400 Thailand	THB \$157,000K	Sale of pharmaceuticals and medicinal chemical products
Lotus Support Services SRL	Feb, 2020	Bucuresti Sectorul 3, Bulevardul THEODOR PALLADY, Nr. 47, Biroul 2, Scara B, Etaj 1	RON \$445K	Pharmaceutical regulatory affairs project management services
Lotus Alvogen Malta Ltd.	Sep, 2020	Malta life sciences park, building I, level 4, sir temi Zammit buildings, San Gwann industrial estate, SGN3000, Malta	EUR \$42K	Sale of pharmaceuticals and medicinal chemical products and related consulting services

Business Name	Date of Establishment	Address	Paid-In Capital	Business Activities
Lotus Pharmaceutical, HK Ltd.	Mar, 2013	2/F., Jonsim Place, No.228 Queen's Road East, Wanchai, Hong Kong	HKD \$15,999K	Data collection and agent services in Hong Kong
Lotus Pharmaceutical (Shanghai) Health Management Consulting Ltd.	Jul, 2017	Room P, 4th Floor, Hongqiao Commercial Building, No. 2272 Hongqiao Rd., Changning Dist., Shanghai City, China	911	Consultation on health management, health technology, trading information, market planning, and business information
Lotus Japan Holdings Co., Ltd.	Feb, 2019	2-4-3, Suido, Bunkyo-ku, Tokyo, Japan	623,647	Sale of medicine, clinical machine retail
Avos Pharma Science Co., Ltd.	Jul, 2020	No. 30, Chenggong 1st Rd., Nantou City, Nantou County, Taiwan	100	Biotech technological consulting services, clinical machine retail and related consulting services
Lotus Healthcare Malaysia Sdn. Bhd.	May, 2021	UOA Business Park, Tower 3, 5th Floor, K03-0513A09-11, 1 Jalan Pengaturcara U1/51A, Section U1 40150 Shah Alam, Selangor, Darul Ehsan, Malaysia	RM \$1K	Marketing activities and healthcare consultancy
Lotus Healthcare Philippines Corp.	Aug, 2021	Level 10th, IBP Tower, Jade Dr, San Antonio, Pasig City, Philippines	PHP \$106,658K	Marketing activities and healthcare consultancy
Lotus Pharma Bulgaria EOOD	Nov, 2021	bul. Cherni vrah 102D, floor 6, Sofia, Bulgaria	BGN \$538K	Marketing activities and healthcare consultancy
Lotus Pharma ehf.	Jan, 2022	Smáratorgi 3 201 Kópavogur	ISK \$500K	Marketing activities and healthcare consultancy
Meishi Pharma Services Private Limited	Oct, 2022	705, Kailash Corporate Lounge, Vikhroli, Hiranandani Link Road, Vikhroli W, Mumbai - 400 076, India	IN\$ \$100K	Management consultancy service
Meishi Pharma Service Pte. Ltd.	Nov, 2022	9 Raffles Place, #26-01 Republic Plaza, Singapore 048619	-	Management consultancy service

3. Relationship of affiliates and overall scope: Drug manufacturing, sales, and promotion

4. Information on affiliated Directors, Supervisors, and general managers

As of Dec 31st, 2023; Unit: shares, %

Business Name	Title	Name or Representative	Shareholding	
			Shares	%
Alvogen Korea Holdings Ltd.	Director/ Representative	Petar Antonov Vazharov	1,456,599	100%
	Director	Nat Ativitavas		
	Director	Eun Sun Choi		
	Supervisor	Árni Hardarson		
Alvogen Korea Co., Ltd.	Representative	Jun Su Lee	10,021,808	100%
	Representative	Hee Kyun Lim		
	Director	Thor Kristjansson		
	Director	Petar Antonov Vazharov		
	Director	Bjartur Shen		
	Supervisor	Árni Hardarson		

Business Name	Title	Name or Representative	Shareholding	
			Shares	%
Alvogen Pharma India Pvt Ltd.	General Manager/Director Director Director Director	Saral Thangam Fjalar Krist Jansson Divya Chandu Patel Aditya Nagaraj Bellur	511,808	100%
Norwich Clinical Services Private Limited	General Manager/ Director Director Director Director	Saral Thangam Fjalar Krist Jansson Divya Chandu Patel Aditya Nagaraj Bellur	203,170	100%
Lotus International Pte. Ltd.	Director Director	Petar Antonov Vazharov Bjartur Shen	60,600,000	100%
Alvogen (Thailand) Ltd.	Director Director Director	Jantana Khanobthamchai Petar Antonov Vazharov Bjartur Shen	1,570,000	100%
Lotus Support Services S.R.L.	Director	Iuliana David	44,497	100%
Lotus Alvogen Malta Ltd.	Director	Edin Buljubasic	42,000	100%
Lotus Pharmaceutical, HK Ltd.	Director	Bjartur Shen	15,999,300	100%
Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited	Legal-person Chairman/ Director/ General Manager Director Supervisor	Bjartur Shen Fiona Lei Eeling Chan	-	100%
Lotus Japan Holdings Co., Ltd.	Director Director	Bjartur Shen Petar Antonov Vazharov	-	100%
Avos Pharma Science Co., Ltd.	Director	Bjartur Shen	-	100%
Lotus Healthcare Malaysia Sdn. Bhd.	Director Director Director	Bjartur Shen Petar Antonov Vazharov Lee Huey Ping	1,000	100%
Lotus Healthcare Philippines Corp.	Director Director Director	Bjartur Shen Petar Antonov Vazharov Charlotte A. Goco	106,657,915	100%
Lotus Pharma Bulgaria EOOD	Director Director Director	Bjartur Shen Petar Antonov Vazharov Boris Strashilov	537,711	100%
Lotus Pharma ehf.	Director Director Director	Bjartur Shen Boris Strashilov Snorri Josefsson	500,000	100%
Meishi Pharma Services Private Limited	Director Director	Petar Antonov Vazharov Mohit Suhas Patwardhan	10,000	100%
Meishi Pharma Service Pte. Ltd.	Director	Tan Boon Chong, Dennis	1	100%

5. Performance of affiliated companies

Units: NTD in thousands unless otherwise specified; Date: Dec 31st, 2023

Name	Paid-in Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Interest	Current Losses	Earnings Per Share (after Tax)
Alvogen Korea Holdings Ltd. (Note 1)	174,444	8,369,292	3,771,769	4,597,523	5,670,570	595,253	310,988	250.49
Alvogen Pharma India Pvt Ltd. (Note 2)	1,998	275,559	67,274	208,285	210,305	25,746	20,509	40.07

Name	Paid-in Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Interest	Current Losses	Earnings Per Share (after Tax)
Lotus International Pte. Ltd.	1,873,694	2,084,875	206,463	1,878,412	1,316,395	74,849	55,358	1.02
Alvogen (Thailand) Ltd.	146,151	184,030	88,746	95,284	167,185	(13,951)	(12,318)	(11.54)
Lotus Support Services SRL	3,010	13,470	3,140	10,330	27,347	2,024	2,791	62.07
Lotus Alvogen Malta Ltd.	1,418	10,323	6,682	3,641	26,111	3,887	3,117	74.22
Lotus Pharmaceutical, HK Ltd.	59,996	10,546	337	10,209	2,702	194	164	0.01
Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited	911	2,393	4,779	(2,386)	13,705	812	377	-
Lotus Japan Holdings Co., Ltd.	623,647	483,010	83	482,927	-	(84)	8,192	-
Avos Pharma Science Co., Ltd.	100	448	132	316	1,000	162	70	-
Lotus Healthcare Malaysia Sdn. Bhd.	7	1,274	1,105	169	5,542	335	235	235.01
Lotus Healthcare Philippines Corp.	59,763	49,140	62,639	(13,499)	5,834	(19,504)	(19,405)	(0.91)
Lotus Pharma Bulgaria EOOD	8,503	22,486	9,513	12,973	42,654	3,576	2,148	4.00
Lotus Pharma ehf.	106	2,400	839	1,561	10,026	682	429	0.86
Meishi Pharma Services Private Limited	37	44,570	53,111	(8,541)	-	(6,022)	(8,775)	(877.47)
Meishi Pharma Service Pte. Ltd.	-	-	88	(88)	-	(86)	(86)	-

Note 1: According to the consolidated report of Alvogen Korea Holdings Ltd.

Note 2: According to the consolidated report of Alvogen Pharma India Pvt Ltd.

8.1.2 Consolidated Financial Statements of Affiliated Business: Please refer to Page 117.

8.1.3 Business Relationship Report: Please refer to Page 115.

8.2 Private Placement of Securities in the Most Recent Year as of the Date of this Annual Report: None

8.3 Subsidiaries' Shareholding or Disposition of the Company's Shares in the Most Recent Year as of the Date of this Annual Report: None

8.4 Other Supplementary Notes: None

8.5 Events of Material Impact on Shareholders' Equities or Securities Prices in the Most Recent Year as of the Date of this Annual Report as Regulated in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act: None

Lotus Pharmaceutical Co., Ltd.
Consolidated Financial Statement of Affiliated Businesses

It is hereby declared that the 2023 Affiliation (from January 1st, 2023 to December 31st, 2023) was prepared pursuant to the “Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises”, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

Hereby declared above.

Name of Company: Lotus Pharmaceutical Co., Ltd.

Responsible Person: Vilhelm Róbert Wessman

April 28th, 2024

Independent Auditors' Report on the Affiliation Report

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

We have conducted the review on the 2023 Affiliation Report of Lotus Pharmaceutical Co., Ltd. The review is conducted in order to provide our comments on whether the 2023 Affiliation Report of Lotus Pharmaceutical Co., Ltd. was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" and whether there are any significant inconsistencies between the information disclosed in the Report and the supplementary information disclosed in the notes to the 2023 financial statements.

Our review result shows that no violation of said Affiliation Report of the "Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" or no significant inconsistencies between the information disclosed in the Report and the supplementary information disclosed in the notes to financial statements for the above period were found.

KPMG

CPA: Archie Cheng

CPA: Allan Yu

Securities authority Financial supervision approved and certified audit No. 1060005191
document No. (88) Taiwan Finance Securities (6)-18311

Lotus Pharmaceutical Co., Ltd.
2023 Business Relationship Report

1. Overview of the relationship between subordinate companies and controlling companies

Units: shares; %

Controlling Company	Purpose of Control	Shareholding and Pledged Shares			Appointment of Directors, Supervisors, or Officers by the Controlling Company	
		Shares	%	Pledged Shares	Title (at the subsidiary company)	Name
Alvogen Emerging Markets Holdings Limited	Expanding pipelines, strengthening R&D portfolio, and expanding international markets	108,968,519	41.20%	None	Chairman Director Director Director/ General Manager Director Director Director Director	Vilhelm Róbert Wessman Yves Hermes Petar Antonov Vazharov Krisana Winithumkul Phannalin Mahawongtikul Oranee Tangphao Daniels Thor Kristjansson Nat Ativitavas
Aztiq II Bidco Limited	Holding Alvogen Emerging Markets Holdings Limited	222	100%	None	Director Director Director Director Director Director	Vilhelm Róbert Wessman Lee Wen Chin Chanamas Sasnanand Nat Ativitavas Petar Antonov Vazharov Krisana Winithumkul
Aztiq II Holdco Limited	Holding Aztiq II Bidco Limited	351,000,100	100%	None	Director Director Director Director Director	Vilhelm Róbert Wessman Panithita Vithayasricharoen Jaruchai Sutjarittam Supornchai Singhakul Árni Hardarson
Innobic (Asia) Co., Ltd.	Obtained more than half of the shares of Aztiq II Holdco Limited	250,000,000	77.08%	None	Director Director Director	Panithita Vithayasricharoen Dranun Jamsai Jaruchai Sutjarittam
PTT Global Management Company Limited	Holding Innobic (Asia) Co., Ltd.	135,648,000	100%	None	Director Director Director Director Director Director Director Director	Buranin Rattanasombat Chanamas Sasnanand Manu Sawangjaeng Suttipong Wacharasindhu Anan Manomaipiboon Krisana Winithumkul Akkharawit Kanjana-Opas Nat Ativitavas

Controlling Company	Purpose of Control	Shareholding and Pledged Shares			Appointment of Directors, Supervisors, or Officers by the Controlling Company	
		Shares	%	Pledged Shares	Title (at the subsidiary company)	Name
PTT Public Company Limited	Holding PTT Global Management Company Limited	1,227,194,677	100%	None	Director Director	Thanaporn Rugtrakul Oran Paepuang

Note: When controlling companies of subordinate companies are subordinate companies of other companies, the information of the other companies is disclosed. When the other companies are subordinate companies of other companies, the information of the other companies is disclosed, and so forth.

2. Purchases and sales transactions: None

3. Asset transactions: None

4. Financing: None

5. Asset leases: None

6. Endorsements and guarantees: None

Consolidated statements

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023. 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(14) “Revenue from contracts with customers” and Note 6(20) “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. In addition, a portion of the revenues involved related-party transactions and profit-sharing arrangements. It requires management's estimate and judgments for the calculation and recognition. 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 the related documents and contracts to identify performance obligations and testing the calculated amounts to ensure the adequacy and reasonableness of revenue recognition.

2. Goodwill Impairment Assessment

For the impairment assessment of goodwill, please refer to Note 4(11) "Intangible assets", Note 4(12) "Impairment of non-financial assets", Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(8) "Goodwill" to the consolidated financial statements.

Key audit matters:

The Group's goodwill mainly arose from the reverse acquisition of the Company and Alvogen Korea. 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 indications 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 appointed our internal valuation specialists to 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, 2023 and 2022, 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, IFRC, 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 Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2024

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 1,770,880	5	1,983,383	7	2100	Short-term borrowings (note 6(11))	\$ 510,000	2	155,919	1
1140	Contract assets—current (notes 6(20) and 7)	128,782	-	258,779	1	2130	Contract liabilities—current (notes 6(20) and 7)	132,854	-	183,084	1
1170	Notes and accounts receivable, net (notes 6(4) and (10))	1,648,943	5	1,352,044	5	2170	Notes and accounts payable	624,918	2	1,320,775	4
1180	Accounts receivable—related parties (note 7)	4,606,390	14	3,040,407	10	2180	Accounts payable—related parties (note 7)	45,878	-	82,267	-
1200	Other receivables	14,303	-	114,474	-	2200	Other payables (note 6(9))	1,154,813	4	2,927,490	10
1210	Other receivables—related parties (note 7)	156,846	-	107,493	-	2220	Other payables—related parties (note 7)	177,752	-	310,380	1
1220	Current tax assets	61,976	-	54,269	-	2230	Current tax liabilities	436,556	1	731,151	3
1310	Inventories (note 6(5))	3,775,380	12	3,329,824	11	2250	Provisions—current (note 6(14))	32,250	-	30,316	-
1479	Other current assets (notes 8 and 9)	489,373	2	420,403	2	2280	Lease liabilities—current (note 6(13))	70,240	-	58,991	-
	Total current assets	<u>12,652,873</u>	<u>38</u>	<u>10,661,076</u>	<u>36</u>	2320	Current portion of long-term borrowings (notes 6(12) and 8)	1,302,963	4	59,949	-
Non-current assets:						2399	Other current liabilities	36,053	-	32,696	-
1510	Financial asset at fair value through profit or loss—non-current (notes 6(2) and 7)	2,584,701	8	1,869,650	6		Total current liabilities	<u>4,524,277</u>	<u>13</u>	<u>5,893,018</u>	<u>20</u>
1517	Financial asset at fair value through other comprehensive income—non-current (note 6(3))	463,611	2	288,673	1	Non-current liabilities:					
1600	Property, plant and equipment (notes 6(6) and 8)	3,257,798	10	3,046,727	10	2527	Contract liabilities—non-current (note 6(20))	45,326	-	65,915	-
1755	Right-of-use assets (note 6(7))	253,419	1	101,516	-	2540	Long-term borrowings (notes 6(12) and 8)	9,519,386	29	8,596,290	29
1805	Goodwill (note 6(8))	5,669,621	18	5,667,605	19	2550	Provisions—non-current (note 6(14))	27,417	-	29,739	-
1821	Other intangible assets (notes 6(9) and 7)	7,364,995	22	7,315,373	25	2570	Deferred tax liabilities (note 6(16))	721,199	3	448,397	2
1840	Deferred tax assets (note 6(16))	411,687	1	390,119	2	2580	Lease liabilities—non-current (note 6(13))	182,200	-	46,819	-
1930	Long-term accounts receivable (note 6(10))	152,603	-	-	-	2640	Defined benefit liabilities, net (note 6(15))	481,302	2	353,268	1
1990	Other non-current assets (notes 8 and 9)	180,281	-	185,334	1	2670	Other non-current liabilities (note 6(9))	156,847	-	224,737	1
	Total non-current assets	<u>20,338,716</u>	<u>62</u>	<u>18,864,997</u>	<u>64</u>		Total non-current liabilities	<u>11,133,677</u>	<u>34</u>	<u>9,765,165</u>	<u>33</u>
	Total assets	<u>\$ 32,991,589</u>	<u>100</u>	<u>29,526,073</u>	<u>100</u>		Total liabilities	<u>15,657,954</u>	<u>47</u>	<u>15,658,183</u>	<u>53</u>
						Equity (note 6(17)):					
						3100	Share capital	2,649,583	8	2,625,913	9
						3200	Capital surplus	7,130,549	22	7,534,348	26
						3300	Retained earnings	8,900,089	27	4,823,417	16
						3400	Other equity	(1,295,489)	(4)	(1,058,434)	(4)
						3500	Treasury shares	(51,097)	-	(57,354)	-
							Total equity	<u>17,333,635</u>	<u>53</u>	<u>13,867,890</u>	<u>47</u>
							Total liabilities and equity	<u>\$ 32,991,589</u>	<u>100</u>	<u>29,526,073</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, 2023 and 2022

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

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net revenue (notes 6(10), (20) and 7)	\$ 16,957,971	100	14,632,772	100
5000	Cost of sales (notes 6(5) and 7)	<u>7,574,159</u>	<u>45</u>	<u>6,826,623</u>	<u>47</u>
5900	Gross profit from operations	<u>9,383,812</u>	<u>55</u>	<u>7,806,149</u>	<u>53</u>
Operating expenses (note 7):					
6100	Selling expenses	2,540,013	15	2,124,665	14
6200	Administrative expenses	1,224,068	7	1,053,255	7
6300	Research and development expenses	720,826	4	520,449	4
6450	Reversal of expected credit loss (note 6(4))	<u>(4,037)</u>	<u>-</u>	<u>(3,334)</u>	<u>-</u>
	Total operating expenses	<u>4,480,870</u>	<u>26</u>	<u>3,695,035</u>	<u>25</u>
6900	Operating income	<u>4,902,942</u>	<u>29</u>	<u>4,111,114</u>	<u>28</u>
Non-operating income and expenses:					
7100	Interest income	31,548	-	3,508	-
7010	Other income (notes 6(3) and 7)	67,074	-	33,368	-
7020	Other gains and losses, net (note 6(22))	658,758	4	174,682	1
7050	Finance costs (notes 6(22) and 7)	<u>(557,397)</u>	<u>(3)</u>	<u>(382,460)</u>	<u>(2)</u>
		<u>199,983</u>	<u>1</u>	<u>(170,902)</u>	<u>(1)</u>
7900	Income before income tax	5,102,925	30	3,940,212	27
7950	Less: Income tax expense (note 6(16))	<u>997,299</u>	<u>6</u>	<u>919,455</u>	<u>6</u>
	Net income	<u>4,105,626</u>	<u>24</u>	<u>3,020,757</u>	<u>21</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurement of defined benefit plans (note 6(15))	(36,742)	-	130,206	-
8316	Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income	189,978	1	(2,968)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(16))	<u>7,788</u>	<u>-</u>	<u>(28,181)</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>161,024</u>	<u>1</u>	<u>99,057</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	<u>(1,769)</u>	<u>-</u>	<u>146,014</u>	<u>1</u>
	Components of other comprehensive income (loss) that may be reclassified to profit or loss	<u>(1,769)</u>	<u>-</u>	<u>146,014</u>	<u>1</u>
8300	Other comprehensive income, net	<u>159,255</u>	<u>1</u>	<u>245,071</u>	<u>1</u>
8500	Total comprehensive income	<u>\$ 4,264,881</u>	<u>25</u>	<u>3,265,828</u>	<u>22</u>
Earnings per share (note 6(19))					
9750	Basic earnings per share	<u>\$ 15.72</u>		<u>11.59</u>	
9850	Diluted earnings per share	<u>\$ 15.67</u>		<u>11.54</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 Changes in Equity

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity					Total equity
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial asset at fair value through other comprehensive income	Unearned share-based payments	Total	Treasury shares	
Balance at January 1, 2022	\$ 2,627,963	8,038,813	35,366	115,476	1,549,793	1,700,635	(908,356)	(268,975)	(63,616)	(1,240,947)	(57,754)	11,068,710
Net income	-	-	-	-	3,020,757	3,020,757	-	-	-	-	-	3,020,757
Other comprehensive income (loss)	-	-	-	-	102,025	102,025	146,014	(2,968)	-	143,046	-	245,071
Total comprehensive income (loss)	-	-	-	-	3,122,782	3,122,782	146,014	(2,968)	-	143,046	-	3,265,828
Appropriation of earnings:												
Legal reserve appropriated	-	-	143,898	-	(143,898)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	548,445	(548,445)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	(506,058)	-	-	-	-	-	-	-	-	-	(506,058)
Share-based payments	(2,050)	1,593	-	-	-	-	-	-	39,467	39,467	400	39,410
Balance at December 31, 2022	\$ 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

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Income before income tax	\$ 5,102,925	3,940,212
Adjustments:		
Adjustments to reconcile income		
Depreciation expense	306,565	256,084
Amortization expense	904,074	680,782
Reversal of expected credit loss	(4,037)	(3,334)
Gains on financial asset at fair value through profit or loss	(715,051)	(286,808)
Finance costs	557,397	382,460
Interest income	(31,548)	(3,508)
Dividend income	(10,023)	(9,736)
Share-based payments	106,493	39,410
Losses (gains) on disposal of property, plant and equipment	24,745	(2,426)
Gains on disposal of intangible assets	-	(94)
Impairment loss on intangible assets	179,368	138,262
Reversal of impairment loss on property, plant and equipment	-	(1,595)
Unrealized foreign exchange losses (gains)	(186,837)	106,409
Write-downs of inventories	169,288	110,028
Losses from early repayment of loans	103,794	15,999
Gains on lease modifications	(66)	(143)
Total adjustments to reconcile income	<u>1,404,162</u>	<u>1,421,790</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	129,742	(176,456)
Notes and accounts receivable, net	(295,475)	(216,784)
Accounts receivable – related parties	(1,499,249)	(980,225)
Other receivables	30,817	(51,719)
Other receivables – related parties	(34,916)	8,993
Inventories	(623,175)	(313,294)
Other current assets	(143,087)	(147,233)
Long-term accounts receivable	(148,064)	-
Other non-current assets	(2,252)	(8,769)
Total changes in operating assets	<u>(2,585,659)</u>	<u>(1,885,487)</u>
Changes in operating liabilities:		
Contract liabilities	(69,331)	20,000
Notes and accounts payable	(623,182)	598,976
Accounts payable – related parties	(36,390)	49,414
Other payables	(76,979)	109,094
Other payables – related parties	(134,395)	202,896
Provisions	(3,787)	3,120
Other current liabilities	2,439	11,415
Defined benefit liabilities, net	90,030	(11,716)
Other non-current liabilities	(676)	(7,414)
Total changes in operating liabilities	<u>(852,271)</u>	<u>975,785</u>
Total changes in operating assets and liabilities	<u>(3,437,930)</u>	<u>(909,702)</u>
Total adjustments	<u>(2,033,768)</u>	<u>512,088</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, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows generated from operations	3,069,157	4,452,300
Interest received	27,690	2,705
Interest paid	(446,254)	(290,699)
Income taxes paid	<u>(1,036,386)</u>	<u>(444,888)</u>
Net cash flows generated from operating activities	<u>1,614,207</u>	<u>3,719,418</u>
Cash flows from investing activities:		
Acquisition of financial asset at fair value through profit or loss	-	(1,582,842)
Acquisition of property, plant and equipment	(410,568)	(577,157)
Proceeds from disposal of property, plant and equipment	1,254	9,375
Proceeds from disposal of intangible assets (including capitalized development expenses)	-	94
Increase in refundable deposits	(29,032)	(4,472)
Acquisition of intangible assets (including capitalized development expenses)	(2,864,456)	(2,492,234)
Decrease (increase) in other current assets	43,489	(22,779)
Dividends received	<u>10,023</u>	<u>13,867</u>
Net cash flows used in investing activities	<u>(3,249,290)</u>	<u>(4,656,148)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,216,411	1,434,687
Repayments of short-term borrowings	(861,821)	(2,100,039)
Proceeds from long-term borrowings	20,475,693	6,250,240
Repayments of long-term borrowings	(18,414,260)	(3,174,915)
Decrease in other payables to related parties	-	(558,274)
Payments of lease liabilities	(107,722)	(83,910)
Payment of dividends	(906,227)	(506,058)
Treasury shares transferred to employees	<u>598</u>	<u>-</u>
Net cash flows generated from financing activities	<u>1,402,672</u>	<u>1,261,731</u>
Effect of exchange rate changes on cash and cash equivalents	<u>19,908</u>	<u>52,887</u>
Net increase (decrease) in cash and cash equivalents	<u>(212,503)</u>	<u>377,888</u>
Cash and cash equivalents at beginning of year	<u>1,983,383</u>	<u>1,605,495</u>
Cash and cash equivalents at end of year	<u>\$ 1,770,880</u>	<u>1,983,383</u>

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, 2023 and 2022

(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 Alvogen Emerging Markets Holdings Limited (“Alvogen EMH”); consequently, the Company 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 Company’s intermediate holding company, Alvogen Lux Holdings SARL, transferred its investment in Alvogen EMH to Aztiq II BidCo Limited; consequently, the Company’s ultimate controlling party changed from Celtic Holdings SCA to PTT Public Company Limited (“PTT”). In addition, PTT, through its indirectly owned subsidiary, Innobic LL Holding Company Limited, owned 6.62% ownership interest in the Company on December 31, 2023; 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 14, 2024.

3. New standards, amendments and interpretations adopted

(1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, ROC (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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(2) The impact of IFRS issued 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, 2024, would not have a significant impact on its consolidated financial statements:

- 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”

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

The Group does not expect the following 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”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

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 (collectively referred to as the “IFRS endorsed by the FSC”).

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

(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:

- (1) Financial assets at fair value through profit or loss (“FVTPL”) are measured at fair value;
- (2) Financial assets at fair value through other comprehensive income (“FVOCI”) are measured at fair value; and
- (3) 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 entity within the Group 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.

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

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

Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2023	December 31, 2022	
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, clinical machine retail	100.00 %	100.00 %	
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 %	3.81 %	(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 %	0.04 %	(Note)
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 %	96.15 %	(Note)
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, 2023	December 31, 2022	
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 %	

Note: The changes in shareholding were due to new shares issued by Alvogen (Thailand) Ltd., and subscribed by Lotus International Pte. Ltd. only.

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.

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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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting date; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting date; or
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(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.

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A. Financial assets

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

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.

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

(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.

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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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(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) 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.

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	1~50 years
(b) Machinery and experiment equipment	2~10 years
(c) Miscellaneous equipment	1~8 years
(d) Leasehold improvements	1~10 years

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

(10) 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;
- (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

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- (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.

(11) 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.

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.

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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.

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.

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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) Others	1~10 years

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

(12) 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.

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.

(13) 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.

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(14) 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.

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.

(15) 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.

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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.

(16) 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.

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(17) 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.

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.

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(18) 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.

(19) 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, estimates, and assumptions 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.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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(8) for further description of the impairment assessment of goodwill.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and demand deposits	\$ 1,770,880	1,959,245
Cash equivalents	-	24,138
	\$ 1,770,880	1,983,383

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The Group's cash equivalents include time deposits with original maturities of 3 months or less from the date of acquisition and time deposits for the purpose of meeting short-term cash management with no significant penalty for early withdrawal.

(2) Financial asset at FVTPL

	December 31, 2023	December 31, 2022
Financial asset mandatorily measured at FVTPL:		
Foreign preferred stock – New Alvogen Group Holding Inc.	\$ 2,584,701	1,869,650

Please refer further details to note 7(3)F.

For the information of fair value of financial instruments, please refer to note 6(23)d.

(3) Financial asset at FVOCI

	December 31, 2023	December 31, 2022
Financial asset at FVOCI:		
Foreign listed stock – Fuji Pharma Co., Ltd.	\$ 463,611	288,673

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, 2023 and 2022, dividends of \$10,023 and \$9,736, 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, 2023 and 2022.

(4) Notes and accounts receivable, net

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 1,690,794	1,398,477
Less: Expected credit loss allowance	(41,851)	(46,433)
	\$ 1,648,943	1,352,044

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

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The expected credit loss allowances were determined as follows:

	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
	\$ 1,099,948		41,851
<u>Group 2</u>			
Current	\$ 590,846	- %	-

Group 1: Customer of general risk.

Group 2: Customer of low risk.

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
Current	\$ 1,323,598	0.96 %	12,712
1 to 60 days past due	38,614	1.75 %	675
61 to 90 days past due	1,675	0.63 %	11
91 to 120 days past due	1,371	29.73 %	408
121 to 150 days past due	21	41.41 %	8
151 to 180 days past due	141	46.28 %	65
181 to 360 days past due	933	46.06 %	430
More than 360 days past due	32,124	100.00 %	32,124
	\$ 1,398,477		46,433

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

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 46,433	49,554
Expected credit loss reversed	(4,037)	(3,334)
Amounts written off	(583)	(68)
Effect of exchange rate changes	38	281
Balance at December 31	<u>\$ 41,851</u>	<u>46,433</u>

(5) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 1,066,708	1,165,582
Work in process	478,745	504,904
Finished goods and merchandise	1,955,378	1,394,365
Inventory in transit	274,549	264,973
	<u>\$ 3,775,380</u>	<u>3,329,824</u>

For the years ended December 31, 2023 and 2022, write-downs of inventories to net realizable value in the amount of \$169,288 and \$110,028, respectively, were included in the cost of sales.

As of December 31, 2023 and 2022, none of the inventories were pledged as collateral.

(6) Property, plant and equipment

The movement in the property, plant and equipment of the Group for the years ended December 31, 2023 and 2022, was as follows:

	<u>Land</u>	<u>Buildings and plant equipment</u>	<u>Machinery and experiment equipment</u>	<u>Miscellaneous equipment</u>	<u>Construction in progress and inspection equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:							
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>
Balance at January 1, 2022	\$ 615,494	1,312,901	1,250,211	158,256	675,224	78,262	4,090,348
Additions	-	3,930	26,217	9,839	610,225	11,057	661,268
Disposals	(3,323)	(15,485)	(51,579)	(4,694)	-	(3,104)	(78,185)
Reclassification	-	66,795	135,258	5,237	(208,341)	40	(1,011)
Effect of exchange rate changes	10,134	16,034	16,306	1,846	200	1,618	46,138
Balance at December 31, 2022	<u>\$ 622,305</u>	<u>1,384,175</u>	<u>1,376,413</u>	<u>170,484</u>	<u>1,077,308</u>	<u>87,873</u>	<u>4,718,558</u>

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	<u>Land</u>	<u>Buildings and plant equipment</u>	<u>Machinery and experiment equipment</u>	<u>Miscellaneous equipment</u>	<u>Construction in progress and inspection equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Accumulated depreciation and impairment loss:							
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>
Balance at January 1, 2022	\$ -	532,541	829,629	115,766	1,627	68,810	1,548,373
Depreciation	-	45,036	106,377	17,525	-	4,630	173,568
Disposals	-	(11,918)	(51,520)	(4,694)	-	(3,104)	(71,236)
Reclassification	-	-	-	(21)	-	21	-
Reversal of impairment loss	-	-	-	-	(1,595)	-	(1,595)
Effect of exchange rate changes	-	9,907	10,409	1,274	(32)	1,163	22,721
Balance at December 31, 2022	<u>\$ -</u>	<u>575,566</u>	<u>894,895</u>	<u>129,850</u>	<u>-</u>	<u>71,520</u>	<u>1,671,831</u>
Carrying amounts:							
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>
Balance at January 1, 2022	<u>\$ 615,494</u>	<u>780,360</u>	<u>420,582</u>	<u>42,490</u>	<u>673,597</u>	<u>9,452</u>	<u>2,541,975</u>
Balance at December 31, 2022	<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>

As of December 31, 2023 and 2022, certain property, plant and equipment were pledged as collateral; please refer to note 8.

(7) Right-of-use assets

The Group leases certain buildings, office equipment and vehicles. The movement in the leases for the years ended December 31, 2023 and 2022, which the Group is a lessee, was as follows:

	<u>Buildings</u>	<u>Office equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
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>
Balance at January 1, 2022	\$ 219,809	2,886	11,118	233,813
Additions	54,095	16,965	14,058	85,118
Disposals	(19,190)	(135)	(7,970)	(27,295)
Effect of exchange rate changes	5,535	174	365	6,074
Balance at December 31, 2022	<u>\$ 260,249</u>	<u>19,890</u>	<u>17,571</u>	<u>297,710</u>

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	<u>Buildings</u>	<u>Office equipment</u>	<u>Vehicles</u>	<u>Total</u>
Accumulated depreciation:				
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	<u>407</u>	<u>16</u>	<u>79</u>	<u>502</u>
Balance at December 31, 2023	<u>\$ 228,427</u>	<u>8,858</u>	<u>8,142</u>	<u>245,427</u>
Balance at January 1, 2022	\$ 124,866	1,555	7,530	133,951
Depreciation	73,688	2,818	6,010	82,516
Disposals	(17,158)	(135)	(6,811)	(24,104)
Effect of exchange rate changes	<u>3,718</u>	<u>19</u>	<u>94</u>	<u>3,831</u>
Balance at December 31, 2022	<u>\$ 185,114</u>	<u>4,257</u>	<u>6,823</u>	<u>196,194</u>
Carrying amounts:				
Balance at December 31, 2023	<u>\$ 221,943</u>	<u>21,614</u>	<u>9,862</u>	<u>253,419</u>
Balance at January 1, 2022	<u>\$ 94,943</u>	<u>1,331</u>	<u>3,588</u>	<u>99,862</u>
Balance at December 31, 2022	<u>\$ 75,135</u>	<u>15,633</u>	<u>10,748</u>	<u>101,516</u>

(8) Goodwill

The movement in the goodwill of the Group for the years ended December 31, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Cost:		
Balance at January 1	\$ 5,741,605	5,659,847
Effect of exchange rate changes	<u>2,016</u>	<u>81,758</u>
Balance at December 31	<u>\$ 5,743,621</u>	<u>5,741,605</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, 2023	<u>\$ 5,669,621</u>	
Balance at January 1, 2022	<u>\$ 5,585,847</u>	
Balance at December 31, 2022	<u>\$ 5,667,605</u>	

Goodwill arose from the reverse acquisition of the Company on August 11, 2014 and Alvogen Korea's acquisition of Dream Pharmaceutical Co., Ltd. ("Dream Pharma") on December 19, 2014. For the purposes of impairment testing, goodwill has been allocated to the pharmaceutical CGUs.

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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, 2023 and 2022, the discount rates used to determine the future cash flows were 7.47%~16.09% and 8.39%~17.5%, 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, 2023 and 2022, no impairment loss was recognized.

(9) Other intangible assets

The movement in the intangible assets of the Group for the years ended December 31, 2023 and 2022, was as follows:

	Product Rights	Brand	In-process R&D	Capitali- zation of Develop- ment Expenses	Others	Total
Cost:						
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>367,639</u>	<u>12,371,030</u>
Balance at January 1, 2022	\$ 4,322,885	660,160	315,210	1,352,961	274,823	6,926,039
Additions	3,539,372	-	-	634,448	1,124	4,174,944
Disposals	-	-	-	(44)	-	(44)
Reclassification	72,115	-	-	(57,815)	1,797	16,097
Effect of exchange rate changes	43,993	19,041	9,091	41,767	16,119	130,011
Balance at December 31, 2022	<u>\$ 7,978,365</u>	<u>679,201</u>	<u>324,301</u>	<u>1,971,317</u>	<u>293,863</u>	<u>11,247,047</u>
Accumulated amortization and impairment loss:						
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>263,026</u>	<u>5,006,035</u>
Balance at January 1, 2022	\$ 1,669,551	490,381	237,384	460,985	204,704	3,063,005
Amortization	651,389	-	9,910	-	19,483	680,782
Impairment loss	2,925	33,899	-	101,438	-	138,262
Disposals	-	-	-	(44)	-	(44)
Effect of exchange rate changes	9,419	14,808	7,237	3,269	14,936	49,669
Balance at December 31, 2022	<u>\$ 2,333,284</u>	<u>539,088</u>	<u>254,531</u>	<u>565,648</u>	<u>239,123</u>	<u>3,931,674</u>
Carrying amounts:						
Balance at December 31, 2023	<u>\$ 5,182,434</u>	<u>140,210</u>	<u>59,511</u>	<u>1,878,227</u>	<u>104,613</u>	<u>7,364,995</u>
Balance at January 1, 2022	<u>\$ 2,653,334</u>	<u>169,779</u>	<u>77,826</u>	<u>891,976</u>	<u>70,119</u>	<u>3,863,034</u>
Balance at December 31, 2022	<u>\$ 5,645,081</u>	<u>140,113</u>	<u>69,770</u>	<u>1,405,669</u>	<u>54,740</u>	<u>7,315,373</u>

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Impairment losses on intangible assets recognized for the years ended December 31, 2023 and 2022, were as follows:

<u>Item</u>	<u>Operating expenses</u>	<u>For the years ended</u> <u>December 31,</u>	
		<u>2023</u>	<u>2022</u>
Product rights	Selling expenses	\$ <u>-</u>	<u>2,925</u>
Brand	Selling expenses	\$ <u>-</u>	<u>33,899</u>
Capitalization of development expenses	Research and development expenses	\$ <u>179,368</u>	<u>101,438</u>

In 2022, the Company acquired two product rights from a third party for a total purchase price of \$3,535,541. As of December 31, 2023 and 2022, the amount of \$62,258 and \$1,870,663, respectively, has yet to be paid and was presented in other payables and other non-current liabilities.

(10) Long-term accounts receivable

The long-term accounts receivable were summarized as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Long-term accounts receivable	\$ 215,966	-
Less: Discount	<u>(27,369)</u>	<u>-</u>
	188,597	-
Less: Current portion (classified as notes and accounts receivable, net)	<u>(35,994)</u>	<u>-</u>
Total	\$ <u>152,603</u>	<u>-</u>

The Group filed a lawsuit in a commercial dispute against a distributor. In July 2023, the Court issued final judgment requiring the distributor to pay KRW 9 billion (\$215,966) in compensation, payable in equal instalments over six years. The Group recognized related income amounting to \$185,521 in net revenue for the year ended December 31, 2023. As of December 31, 2023, no expected credit loss was recognized.

(11) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Unsecured bank loans	\$ <u>510,000</u>	<u>155,919</u>
Unused credit line	\$ <u>187,974</u>	<u>387,858</u>
Range of interest rates	<u>2.00%~2.28%</u>	<u>2.15%~4.00%</u>

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(12) Long-term borrowings

The long-term borrowings were summarized as follows:

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ 431,933	179,848
Secured bank loans	9,567,508	6,653,503
Secured loans from other financial institutions	822,908	1,822,888
	10,822,349	8,656,239
Less: Current portion	(1,302,963)	(59,949)
Total	\$ 9,519,386	8,596,290
Unused credit line	\$ 6,120,000	1,224,262
Range of maturity period (year/month)	2024/10~2026/10	2023/2~2025/7
Range of interest rates	3.41%~7.78%	2.97%~8.14%

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 as of December 31, 2023, (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(\$1,679,739) 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 4 times as of December 31, 2023.

The Group complied with the abovementioned financial covenants as of December 31, 2023.

For the years ended December 31, 2023 and 2022, the Group incurred losses due to early repayment of loans amounting to \$103,794 and \$15,999, respectively.

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

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(13) Lease liabilities—current and non-current

The carrying amounts of the lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	<u>\$ 70,240</u>	<u>58,991</u>
Non-current	<u>\$ 182,200</u>	<u>46,819</u>

Please refer to note 6(23) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interest expenses on lease liabilities	<u>\$ 11,902</u>	<u>6,014</u>
Expenses relating to short-term leases	<u>\$ 11,462</u>	<u>11,726</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 1,252</u>	<u>1,420</u>

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

	For the years ended December 31,	
	2023	2022
Total cash outflow for leases	<u>\$ 132,338</u>	<u>103,070</u>

A. Real estate leases

The Group leases buildings for its office space. 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.

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.

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(14) Provisions—current and non-current

	<u>Estimated return of goods</u>	<u>Restoration</u>	<u>Employee benefit obligations</u>	<u>Total</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>
Balance at January 1, 2022	\$ 26,604	10,357	18,258	55,219
Provisions made	8,083	674	5,079	13,836
Provisions used	(6,132)	(248)	(4,280)	(10,660)
Effect of exchange rate changes	802	318	540	1,660
Balance at December 31, 2022	29,357	11,101	19,597	60,055
Less: current	(29,357)	-	(959)	(30,316)
Non-current	<u>\$ -</u>	<u>11,101</u>	<u>18,638</u>	<u>29,739</u>

(15) 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligation	\$ 1,123,567	958,249
Fair value of plan assets	(642,265)	(604,981)
Net defined benefit liabilities	<u>\$ 481,302</u>	<u>353,268</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 and Alvogen (Thailand) 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

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 958,249	990,734
Current service costs and interest	148,944	134,125
Remeasurement		
– Actuarial loss (gain) arising from changes in demographic assumptions	(247)	13,841
– Actuarial loss arising from experience adjustments	3,176	6,137
– Actuarial loss (gain) arising from changes in financial assumptions	43,612	(155,134)
Other	(640)	(2,438)
Benefits paid from plan assets and directly by the Group	(30,806)	(56,278)
Effect of exchange rate changes	<u>1,279</u>	<u>27,262</u>
Balance at December 31	<u>\$ 1,123,567</u>	<u>958,249</u>

(c) Fair value of the defined benefit plan assets

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (604,981)	(505,356)
Interest income	(28,789)	(16,984)
Remeasurement		
– Return on plan assets (excluding current interest)	(9,799)	4,950
Contributions paid by the employer	(1,719)	(89,028)
Other	-	950
Benefits paid from plan assets	3,555	17,799
Effect of exchange rate changes	<u>(532)</u>	<u>(17,312)</u>
Balance at December 31	<u>\$ (642,265)</u>	<u>(604,981)</u>

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(d) Expenses recognized in profit or loss

	For the years ended	
	December 31,	
	<u>2023</u>	<u>2022</u>
Current service costs	\$ 102,240	102,142
Net interest on the net defined benefit liabilities	17,915	15,864
Others	(640)	(2,394)
	<u>\$ 119,515</u>	<u>115,612</u>
Cost of sales	\$ 34,254	35,535
Selling expenses	61,681	59,916
Administration expenses	16,563	14,032
Research and development expenses	6,427	5,606
Capitalized development expenses	590	523
	<u>\$ 119,515</u>	<u>115,612</u>

(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:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Discount rate	1.25%~7.39%	1.25%~7.63%
Future salary increase rate	3.50%~13.16%	3.47%~13.53%

The Group expects to contribute \$68,826 to the defined benefit plans in 2024.

The weighted-average duration of the defined benefit obligation was 7.06 years.

(f) Sensitivity analysis

If there is a change in the actuarial assumptions as of December 31, 2023 and 2022 the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligations	
	<u>Increased</u>	<u>Decreased</u>
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)
Balance at December 31, 2022		
Discount rate (1.00% movement)	(56,256)	63,134
Future salary increase rate (1.00% movement)	62,276	(56,595)

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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 \$44,094 and \$34,935 for the years ended December 31, 2023 and 2022, respectively.

(16) Income tax

A. Income tax expense

The components of income tax for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Current tax expense		
Current year	\$ 796,133	843,890
Adjustments in respect of prior years	(59,516)	12,692
Undistributed earnings tax	-	26,809
	<u>736,617</u>	<u>883,391</u>
Deferred tax expense		
Current period	256,231	52,841
Adjustments in respect of prior years	8,890	(16,777)
Effect of tax rate change	(4,439)	-
	<u>260,682</u>	<u>36,064</u>
Income tax expense	<u>\$ 997,299</u>	<u>919,455</u>

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Reconciliation of income tax expenses and income before income tax for the years ended December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Income before income tax	\$ <u>5,102,925</u>	<u>3,940,212</u>
Income tax at statutory tax rate of each jurisdiction	958,144	791,757
Changes in unrecognized deductible temporary differences and loss carryforwards	55,938	31,357
Permanent differences (including non-deductible expenses)	45,677	44,409
Investment tax credits	(970)	(1,748)
Adjustments in respect of prior years	(50,626)	(4,085)
Income tax on unappropriated earnings	-	26,809
Effect of tax rate change	(4,439)	-
Other	<u>(6,425)</u>	<u>30,956</u>
	<u>\$ 997,299</u>	<u>919,455</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 2023 and 2022 were as follows:

Deferred tax assets:

	<u>January 1, 2023</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>Effect of exchange rate changes</u>	<u>December 31, 2023</u>
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	<u>84,543</u>	<u>(19,224)</u>	<u>213</u>	<u>5</u>	<u>65,537</u>
	<u>\$ 390,119</u>	<u>12,193</u>	<u>7,788</u>	<u>1,587</u>	<u>411,687</u>

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	January 1, 2022	Recognized in income statement	Recognized in other comprehensive income	Effect of exchange rate changes	December 31, 2022
Defined benefit obligation	\$ 102,826	(2,826)	(28,181)	1,722	73,541
Inventories	15,887	6,857	-	409	23,153
Provisions	9,624	757	-	288	10,669
Property, plant and equipment	8,702	(2,151)	-	(43)	6,508
Intangible assets	27,902	103,429	-	(2,446)	128,885
Loss carryforwards	512	2,401	-	21	2,934
Deferred profit of upstream transaction	76,253	(16,367)	-	-	59,886
Others	69,110	13,962	-	1,471	84,543
	<u>\$ 310,816</u>	<u>106,062</u>	<u>(28,181)</u>	<u>1,422</u>	<u>390,119</u>

Deferred tax liabilities:

	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>

	January 1, 2022	Recognized in income statement	Recognized in other comprehensive income	Effect of exchange rate changes	December 31, 2022
Property, plant and equipment	\$ 8,437	(1,365)	-	(229)	6,843
Intangible assets - acquisition of Dream Pharma	67,534	1,229	-	1,280	70,043
Unrealized gains on FVTPL	-	57,362	-	-	57,362
Capitalization of development expenses	202,301	75,448	-	-	277,749
Others	25,875	9,452	-	1,073	36,400
	<u>\$ 304,147</u>	<u>142,126</u>	<u>-</u>	<u>2,124</u>	<u>448,397</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, 2023 and 2022. 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, 2023	December 31, 2022
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 400,176	301,096

(c) Unrecognized deferred tax assets

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

	December 31, 2023	December 31, 2022
Expiry period		
1-4 years	\$ 78,267	44,123
5-10 years	39,532	65,382
	\$ 117,799	109,505

C. Income tax assessments

As of December 31, 2023, the tax authorities have completed the examination of the Company's income tax returns through 2019.

(17) Capital and other equity

A. Share capital

As of December 31, 2023 and 2022, 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 \$2,649,583 and \$2,625,913 as of December 31, 2023 and 2022, 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, 2023 and 2022, there were 17,517 thousand privately placed shares 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.

About the cancellation of the forfeited shares under the 2019 Employee Restricted Stock Awards Plan (the “2019 RSA Plan”), please refer to note 6(18).

On August 10, 2023, the Board of Directors approved the issuance of 2,487 thousand shares, under the 2023 Employee Restricted Stock Awards Plan(the“2023 RSA Plan”). Please refer to note 6(18). The relevant statutory registration procedures have since been completed.

B. Capital surplus

The ending balances of capital surplus were as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 5,305,689	6,171,554
Treasury share transactions	25,546	16,805
Conversion of convertible bonds	1,268,876	1,268,876
Restricted stock awards	530,438	77,113
	\$ 7,130,549	7,534,348

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 16, 2022, the Board of Directors resolved to distribute cash dividends from capital surplus at \$1.93 dollars per share in the amount of \$506,058. The resolution was approved in the shareholders’ meeting held on June 30, 2022.

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(18).

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, 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 2021 was approved by the Board of Directors on March 16, 2022; no cash dividend was proposed. The appropriation of earnings to legal reserve and special reserve was approved in the shareholders' meeting held on June 30, 2022.

The appropriation of earnings for 2022 was approved by the Board of Directors on March 9, 2023; no cash dividend was approved. The appropriation of earnings to legal reserve and special reserve was approved in the shareholders' meeting held on June 15, 2023.

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 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 August 10, 2023, the Board of Directors approved the transfer of 66 thousand treasury shares to employees. As of December 31, 2023, 60 thousand treasury shares were transferred. Please refer to note 6(18) for the details.

As of December 31, 2023 and 2022, treasury shares yet to be transferred were 490 thousand and 550 thousand shares, respectively.

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About the information of forfeited shares under the 2019 RSA Plan, please refer to note 6(18).

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.

(18) 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, 2023 and 2022, 400 thousand and 280 thousand shares under the 2019 RSA Plan were forfeited, respectively. 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, 2023 and 2022, 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%

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- (b) Three-year plan

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

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.

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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

Vesting Conditions	The Maximum Proportion of the RSA Vested (% of the RSA Granted to the Employee)
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

Vesting Conditions	The Maximum Proportion of the RSA Vested (% of the RSA Granted to the Employee)
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:

The share-based payment expense is recognized based on grant date fair value of the awards and the estimated number of awards that are expected to vest. Forfeitures are estimated based on historical experience at the time of grant and are revised in subsequent periods if actual forfeitures differ from those estimates. Share-based payment expense is amortized on a straight-line basis over the relevant service periods.

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (24,149)	(63,616)
Granted	(517,357)	-
Share-based payment expense	92,093	39,410
Change of estimation	-	57
Balance at December 31	<u>\$ (449,413)</u>	<u>(24,149)</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 \$14,400 for the year ended December 31, 2023.

<u>Grant date</u>	<u>Total shares vested (thousands)</u>	<u>Vesting conditions</u>	<u>Share price</u>	<u>Exercise price</u>	<u>Fair value per unit</u>
August 14, 2023	60	Vest immediately	250	10	240

(19) 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>2023</u>	<u>2022</u>
Basic earnings per share		
Net income attributable to owners of the Company	\$ <u>4,105,626</u>	<u>3,020,757</u>
Weighted average number of ordinary shares (in thousands)	<u>261,242</u>	<u>260,549</u>
Basic earnings per share (in dollars)	<u>\$ 15.72</u>	<u>11.59</u>

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	For the years ended December 31,	
	2023	2022
Diluted earnings per share		
Net income attributable to owners of the Company	\$ <u>4,105,626</u>	<u>3,020,757</u>
Weighted average number of ordinary shares (in thousands)	261,242	260,549
Effect of dilutive potential ordinary shares		
Restricted stock awards issued to employees (in thousands)	595	984
Remuneration to employees (in thousands)	<u>187</u>	<u>151</u>
Weighted average number of ordinary shares (diluted) (in thousands)	<u>262,024</u>	<u>261,684</u>
Diluted earnings per share (in dollars)	\$ <u>15.67</u>	<u>11.54</u>

(20) Revenue from contracts with customers

A. Disaggregation of revenue

	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	<u>2,074,978</u>	<u>68,916</u>	<u>2,143,894</u>
	<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	<u>236,756</u>	<u>94,019</u>	<u>330,775</u>
	<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%)	<u>10,074,253</u>	<u>87,249</u>	<u>10,161,502</u>
	<u>\$ 16,863,952</u>	<u>94,019</u>	<u>16,957,971</u>

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	For the year ended December 31, 2022		
	Pharmaceuticals Segment	Other Segment	Total
Primary geographical markets:			
United States	\$ 5,859,891	56,576	5,916,467
South Korea	5,277,064	-	5,277,064
Taiwan	1,439,016	-	1,439,016
Others	1,926,733	73,492	2,000,225
	\$ 14,502,704	130,068	14,632,772
Major products/services lines:			
Sale of goods	\$ 14,397,986	-	14,397,986
Out-licensing of IP rights	21,878	-	21,878
Services and others	82,840	130,068	212,908
	\$ 14,502,704	130,068	14,632,772
Major customers:			
Customer A	\$ 5,859,828	27,446	5,887,274
Others (individually not greater than 10%)	8,642,876	102,622	8,745,498
	\$ 14,502,704	130,068	14,632,772

B. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets – current	\$ 128,782	258,779	82,050
Contract liabilities – current	\$ 132,854	183,084	132,013
Contract liabilities – non-current	\$ 45,326	65,915	85,957

For details on notes and 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 \$98,267 and \$33,455 included in contract liabilities balance at the beginning of the year has been recognized as revenue for the years ended December 31, 2023 and 2022, respectively.

(21) 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, 2023 and 2022, the Company accrued and recognized employee remuneration amounting to \$50,818 and \$37,271, respectively; however, no remuneration to directors was accrued for both years. 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.

(22) 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,	
	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$ (24,745)	2,426
Gains on disposal of intangible assets	-	94
Gains on financial asset at FVTPL	715,051	286,808
Foreign exchange gains (losses)	91,674	(81,217)
Losses from early repayment of loans	(103,794)	(15,999)
Others	(19,428)	(17,430)
	\$ 658,758	174,682

For the details on losses from early repayment of loans, please refer to note 6(12).

B. Finance costs

The details of finance costs were as follows:

	For the years ended December 31,	
	2023	2022
Interest expenses on borrowings	\$ 521,788	350,202
Interest expenses on lease liabilities	11,902	6,014
Others	23,707	26,244
	\$ 557,397	382,460

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(23) 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, 2023 and 2022, the Group's largest customer individually accounted for 40.08% and 40.23%, respectively, of the Group's net revenue. As of December 31, 2023 and 2022, such largest customer accounted for 66% and 62% of notes and accounts receivable (including related parties), respectively. There is no other significant concentration of credit risk.

For credit risk exposure of notes and 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, 2023 and 2022, please refer to notes 6(11) and (12) 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, 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>
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 155,919	156,561	156,561	-	-
Notes and accounts payable (including related parties)	1,403,042	1,403,042	1,403,042	-	-
Other payables (including related parties)	3,237,870	3,237,870	3,237,870	-	-
Long-term borrowings (including current portion)	8,656,239	9,362,631	398,752	8,963,879	-
Lease liabilities – current and non- current	<u>105,810</u>	<u>111,471</u>	<u>62,497</u>	<u>48,974</u>	<u>-</u>
	<u>\$ 13,558,880</u>	<u>14,271,575</u>	<u>5,258,722</u>	<u>9,012,853</u>	<u>-</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.

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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, notes and 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), 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.

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

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 172,447	31.13	5,368,062	109,764	30.79	3,379,955
EUR	19,132	34.35	657,218	8,856	32.67	289,316
<u>Non-monetary items</u>						
USD	83,032	31.13	2,584,701	60,717	30.79	1,869,650
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	55,048	31.13	1,713,591	107,151	30.79	3,299,475
EUR	4,530	34.35	155,620	8,328	32.67	272,060

A weakening or strengthening of 5% of the NTD against the USD and EUR for the years ended December 31, 2023 and 2022, with all other variable factors remaining constant, would have increased or decreased the income before income tax by \$207,803 and \$4,887, 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, 2023 and 2022, the foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$91,674 and \$(81,217), 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.

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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 \$4,565 and \$3,381 for the years ended December 31, 2023 and 2022, 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 \$46,361 and \$28,867 for the years ended December 31, 2023 and 2022, respectively.

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, notes and 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, 2023				
	Book Value	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial asset at FVTPL					
Foreign preferred stock	\$ 2,584,701	-	-	2,584,701	2,584,701
Financial asset at FVOCI					
Foreign listed stock	\$ 463,611	463,611	-	-	463,611

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	December 31, 2022				
	Book	Fair Value			Total
	Value	Level 1	Level 2	Level 3	
Financial asset at FVTPL					
Foreign unlisted stock	<u>\$ 1,869,650</u>	<u>-</u>	<u>-</u>	<u>1,869,650</u>	<u>1,869,650</u>
Financial asset at FVOCI					
Foreign listed stock	<u>\$ 288,673</u>	<u>288,673</u>	<u>-</u>	<u>-</u>	<u>288,673</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.

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, 2023 and 2022 and the valuation techniques have not changed.

(c) Reconciliation of Level 3 fair values

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

In 2022, the Group acquired financial asset at FVTPL of amount \$1,582,842 and the changes of fair values \$286,808 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.

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Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial asset at FVTPL—non-current	Binomial Trees model method	<ul style="list-style-type: none"> · Duration (0.93 years and 1.923 years at Dec 31, 2023 and 2022, respectively.) · Estimated stock price (USD900.56 and USD1,221.91 at Dec 31, 2023 and 2022, respectively.) · Discount rate (28% and 32% at Dec 31, 2023 and 2022, respectively.) 	<ul style="list-style-type: none"> · 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.

- (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, 2023 and December 31, 2022, the impact on the fair value of financial asset at FVTPL would be as follows:

	<u>Impact on income statement</u>	
	<u>Increased</u>	<u>Decreased</u>
Balance at December 31, 2023		
Discount rate (5.00% movement)	\$ <u>(241,288)</u>	<u>926,304</u>
Balance at December 31, 2022		
Discount rate (5.00% movement)	\$ <u>(219,397)</u>	<u>642,786</u>

(24) 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.

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(25) 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(7).

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

	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	<u>105,810</u>	<u>(107,722)</u>	<u>(1,248)</u>	<u>255,600</u>	<u>252,440</u>
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>
	January 1, 2022	Cash flow	Foreign exchange movement	Others	December 31, 2022
Short-term borrowings	\$ 819,767	(665,352)	1,504	-	155,919
Long-term borrowings (include current portion)	5,461,948	3,075,325	67,124	51,842	8,656,239
Other payables – related parties	554,939	(558,274)	3,335	-	-
Lease liabilities	<u>105,877</u>	<u>(83,910)</u>	<u>2,054</u>	<u>81,789</u>	<u>105,810</u>
Total liabilities from financing activities	<u>\$ 6,942,531</u>	<u>1,767,789</u>	<u>74,017</u>	<u>133,631</u>	<u>8,917,968</u>

Note: Including the addition of \$257,036 and other changes in lease liabilities.

7. Related-party transactions

(1) Parent company and ultimate controlling party

The Company's parent company is Alvogen EMH, intermediate holding company is 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:

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Alvogen EMH	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 Iceland ehf.	Other related party (Note 1)

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<u>Name of related parties</u>	<u>Relationship with the Group</u>
Alvogen Inc.	Other related party (Note 2)
Alvogen Malta Shared Services Ltd.	Other related party
Alvogen PB Research & Development LLC (“Alvogen PB R&D”)	Other related party (Note 2)
Alvotech hf.	Other related party (Note 1)
AZTIQ Consulting ehf.	Other related party
Fuji Pharma Co., Ltd.	Other related party (Note 3)
Innobic (Asia) Co., Ltd.	Other related party
New Alvogen Group Holding Inc. (“NAGH”)	Other related party (Note 2)
Norwich Pharmaceuticals, Inc.	Other related party (Note 2)

Note 1: Due to organizational structure change as described in note 1, the company ceased to be a related party to the Group effective from April 2022.

Note 2: Despite the organizational structure change as described in note 1, the company continues to be a related party to the Group due to the Group’s investment in NAGH, the parent company of Alvogen group of companies in the United States, which controls, among others, Alvogen Inc., Alvogen PB R&D and Norwich Pharmaceuticals, Inc.; see notes 6(2) and 7(3)F.

Note 3: The company ceased to be a related party to the Group effective from July 2023.

(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,	
	2023	2022
Alvogen Inc.	\$ 6,796,469	5,887,274
Adalvo Limited	1,003,110	1,198,792
Alvogen EMH	3,096	421
Other related parties	<u>12,898</u>	<u>32,706</u>
	<u>\$ 7,815,573</u>	<u>7,119,193</u>

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.

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B. Purchases

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

	For the years ended December 31,	
	2023	2022
Adalvo Limited	\$ 9,058	-
Norwich Pharmaceuticals, Inc.	5,974	3,944
	\$ 15,032	3,944

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, 2023	December 31, 2022
Accounts receivable – related parties	Alvogen Inc.	\$ 4,150,530	2,735,697
	Adalvo Limited	447,441	296,559
	Other related parties	8,419	8,151
		\$ 4,606,390	3,040,407
Other receivables – related parties	Alvogen PB R&D	\$ 104,900	102,670
	Adalvo Limited	34,087	4,244
	Alvogen Inc.	17,642	-
	Alvogen EMH	22	425
	Other related parties	195	154
	\$ 156,846	107,493	

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, 2023	December 31, 2022
Accounts payable – related parties	Alvogen Inc.	\$ 45,693	82,267
	Adalvo Limited	185	-
		\$ 45,878	82,267
Other payables – related parties	Alvogen Inc.	\$ 97,842	122,545
	Adalvo Limited.	55,934	144,827
	Alvogen PB R&D	21,065	40,400
	Alvogen EMH	2,104	2,127
	Other related parties	807	481
	\$ 177,752	310,380	

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E. Acquisition of intangible assets

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

<u>Names of related parties</u>	<u>Accounts</u>	<u>For the years ended December 31,</u>	
		<u>2023</u>	<u>2022</u>
Adalvo Limited	Intangible assets	\$ <u>23,715</u>	<u>-</u>

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, 2023, the remaining unpaid milestones amounted to EUR 1,050 thousand (\$36,070) and USD 70 thousand (\$2,179).

F. Acquisition of financial assets

The financial assets were summarized as follows:

<u>Names of related parties</u>	<u>Accounts</u>	<u>For the year ended December 31, 2022</u>		
		<u>Number of shares (in thousands)</u>	<u>Marketable security type</u>	<u>Acquisition price</u>
NAGH	FVTPL – non-current	<u>55</u>	Preferred shares	\$ <u>1,582,842</u>

In 2022, the Group made a strategic investment in the preferred shares issued by the parent company of the Alvogen group of companies in the United States, with first investment made to Alvogen Pharma Limited, the shares of which were later transferred to NAGH, a newly incorporated parent company following a reorganization completed by the Alvogen Group during the year, and second investment directly to NAGH. Through the investment, the Company appointed one director to the Board of Directors in NAGH; thus, management assessed that NAGH and its subsidiaries are related parties of the Group; refer to note 7(2).

G. Borrowings from related parties

The following tables provide information about borrowing from related parties, which were included in other payables – related parties (amounts in thousands of New Taiwan Dollars and U.S. Dollars):

<u>Names of related parties</u>	<u>For the year ended December 31, 2022</u>				
	<u>Highest balance</u>	<u>Ending balance</u>	<u>Interest rate</u>	<u>Interest Expenses</u>	<u>Interest payables</u>
Alvogen EMH	\$ <u>594,144</u> (USD 20,000)	<u>-</u>	<u>1.0%</u> (Note)	<u>4,170</u>	<u>-</u>

Note: The interest rate is fixed 1% per annum.

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H. Others

(a)

<u>Accounts</u>	<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
		<u>2023</u>	<u>2022</u>
Capitalization of development expenses	Alvogen PB R&D	\$ 6,298	23,661
	Adalvo Limited	7,613	7,932
		<u>\$ 13,911</u>	<u>31,593</u>
Cost of sales	Other related parties	<u>\$ 165,911</u>	<u>152,070</u>
Operating expense	Alvogen EMH	\$ 11,277	5,425
	Other related parties	122,244	93,507
		<u>\$ 133,521</u>	<u>98,932</u>
Other income	Alvogen Inc.	\$ 17,569	-
	Fuji Pharma Co., Ltd.	4,725	9,736
	Adalvo Limited	4,510	10,769
	Other related parties	1,328	1,068
		<u>\$ 28,132</u>	<u>21,573</u>
Reimbursed income for development costs recognized as an offset to research and development expense	Alvogen PB R&D	<u>\$ (22,126)</u>	<u>(92,677)</u>

(b)

<u>Accounts</u>	<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract assets — current	Adalvo Limited	\$ 100,185	133,479
	Alvogen Inc.	24,051	120,195
		<u>\$ 124,236</u>	<u>253,674</u>

(c)

<u>Accounts</u>	<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract liabilities — current	Adalvo Limited	\$ 87,392	94,367
	Fuji Pharma Co., Ltd.	-	46,189
		<u>\$ 87,392</u>	<u>140,556</u>

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(4) Key management personnel compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 167,538	123,623
Share-based payments	68,396	21,705
	\$ 235,934	145,328

8. Assets pledged as security

As of December 31, 2023 and 2022, the following assets and the entire shares of Alvogen Korea were pledged as collaterals.

The carrying amounts of pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2023	December 31, 2022
Bank demand deposits (classified as other current assets)	Long-term borrowings	\$ -	48,671
Bank demand deposits (classified as other current assets)	Compensation balances	15,000	9,000
Bank demand deposits (classified as other non-current assets)	Deposit for drug application, performance guarantee and customs, etc.	869	1,913
Land	Long-term borrowings	622,554	575,605
Buildings and plant equipment	Long-term borrowings	1,264,168	803,381
Machinery equipment	Long-term borrowings	178,339	70,055
		\$ 2,080,930	1,508,625

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

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, 2023.
- (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.

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- (3) The patent infringement lawsuit initiated by Indivior Inc., Indivior UK Ltd., and Adquestive Therapeutics Inc. ("Plaintiffs") against Alvogen Inc. ("Defendant") was dismissed by the USA District Court for District of New Jersey; the dismissal of the Plaintiffs lawsuit will have no negative impact on the Company's business or results of operations.
- (4) As of December 31, 2023, 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 46,693)	Woori Bank

- (5) 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 (\$29,563) 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.

10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Other

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

By item	By function	For the years ended December 31,					
		2023			2022		
		Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Employee benefits							
Salary		662,935	1,318,638	1,981,573	640,881	1,176,793	1,817,674
Labor and health insurance		23,903	27,415	51,318	21,155	25,755	46,910
Pension		48,110	114,909	163,019	49,014	101,010	150,024
Others		66,779	277,737	344,516	57,463	182,825	240,288
Depreciation		159,671	146,894	306,565	143,525	112,559	256,084
Amortization		6,199	897,875	904,074	6,456	674,326	680,782

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, 2023:

- A. Loans to other parties: Please refer to Table 1.
 - B. Guarantees and endorsements for other parties: Please refer to Table 2.
 - C. Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
 - 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 4.
 - 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 5.
 - H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 6.
 - I. Trading in derivative instruments: None.
 - J. Business relationships and significant intercompany transactions: Please refer to Table 7.
- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 8.
- (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 9.
 - B. Limitation on investment in Mainland China: Please refer to Table 9.
 - C. Significant transactions: None.
- (4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Alvogen EMH		108,968,519	41.20 %
Innobic LL Holding Company Limited		17,517,348	6.62 %

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

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, 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>
	For the year ended December 31, 2022			
	Pharmaceuticals Segment	Other Segment	Elimination	Total
Net revenue:				
Revenue from external customers	\$ 14,502,704	130,068	-	14,632,772
Intersegment revenues	-	171,318	(171,318)	-
Total net revenue	<u>\$ 14,502,704</u>	<u>301,386</u>	<u>(171,318)</u>	<u>14,632,772</u>
Operating income	<u>\$ 4,111,901</u>	<u>2,476</u>	<u>(3,263)</u>	<u>4,111,114</u>
Reportable segment assets	<u>\$ 29,641,735</u>	<u>593,800</u>	<u>(709,462)</u>	<u>29,526,073</u>

(3) Product and service information: Please refer to note 6(20).

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

(4) Geographic information

A. Net revenue from external customers: Please refer to note 6(20).

B. Non-current assets:

	December 31, 2023	December 31, 2022
Taiwan	\$ 7,537,068	7,741,440
South Korea	1,982,084	2,119,284
Singapore	1,274,915	732,524
Other countries	262,426	55,702
Total	\$ 11,056,493	10,648,950

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(20).

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Loans to other parties

For the year ended December 31, 2023

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			
1	Lotus International Pte. Ltd.	Alvogen (Thailand) Ltd.	Other receivables from related parties	Yes	37,228	35,798	35,798	4.8%	2	-	Operating funding	-	-	-	1,878,412	1,878,412	Note 5
2	NCS	Meishi Pharma Services Private Limited	Other receivables from related parties	Yes	64,238	61,753	19,836	10 %	2	-	Operating funding	-	-	-	113,267	113,267	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) Lotus International Pte. Ltd. and Alvogen (Thailand) Ltd. are both 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 audited net equity.

(2) 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 equity.

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.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2023

Table 2

(Amounts in Thousands)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance (Note 4)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated/ Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Lotus International Pte. Ltd.	The Company	3	9,016,380	5,000,000	-	-	-	-	9,016,380	N	Y	N

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: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50 % of the voting shares in the company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. For entities who are guaranteed and endorsed by all capital contributing shareholders in proportion to each of their shareholder's percentage.
7. Performance guarantee in which entities within the same industry provide among themselves joint and several securities by entering into sales agreement with each other for pre-construction project pursuant to Consumer Protection Act.

Note 3: It was according to 480% of the Lotus International Pte. Ltd.'s audited net equity as of the latest period.

Note 4: This endorsement guarantees were simultaneously discharged upon the Company's repayment of the loan on May 29, 2023.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2023

Table 3

(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 %	
The Company	NAGH	Other related party	FVTPL - non-current	55	2,584,701	-	2,584,701	-	
Alvogen Korea	Korea Pharmaceutical Industry Cooperative	-	Other non-current assets	65 shares	1,516	0.65 %	1,516	0.65 %	Note
Lotus Japan Holdings Co., Ltd.	Fuji Pharma Co., Ltd.	-	FVOCI - non-current	1,219	463,611	5.01 %	463,611	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, 2023.

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, 2023

Table 4

(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	Lotus International Pte. Ltd.	Investments accounted for using equity method	-	Subsidiary	48,450	1,247,435	12,150	377,546	(10,418)	-	-	-	-	60,600	1,614,563	Note 2
The Company	Alvogen Korea Holdings Ltd.	Investments accounted for using equity method	-	Subsidiary	1,192	2,443,100	265	710,455	471,721	-	-	-	-	1,457	3,625,276	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, 2023

Table 5

(Amounts in Thousands)

Company Names	Related Parties	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable		Note
			Purchase/Sales	Amounts	Percentages of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable	
The Company	Alvogen Inc.	Other related party	Sales	6,789,699	40.04%	90~180 days	-	-	4,144,237	66.25%	
The Company	Adalvo Limited	Other related party	Sales	975,992	5.76%	90 days	-	-	446,031	7.13%	

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Receivables from related parties with amounts exceeding the lower of NTS\$100 million or 20%
of the capital stock
December 31, 2023

Table 6

(Amounts in Thousands)

Company Names	Related Parties	Nature of Relationship	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period (Note)	Expected Credit Loss Allowance
					Amount	Action Taken		
The Company	Alvogen Inc.	Other related party	4,144,237	1.70	2,372,425	Expect to collect in the first quarter of next year	2,117,514	-
The Company	Adalvo Limited	Other related party	446,031	2.07	105,271	Expect to collect in the first quarter of next year	137,944	-

Note: As of March 11, 2024.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2023

Table 7

(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 International Pte. Ltd.	1	Purchase	565,237	(Note 3)	3.33 %
1	Alvogen Korea Holdings	Alvogen Korea	2	Other income	1,666,496	-	9.83 %
2	Lotus International Pte. Ltd.	Alvogen Korea	2	Sales	308,124	(Note 3)	1.82 %

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, 2023

Table 8

(Shares in Thousands)
(Amounts in Thousands)

Investor Companies	Investee Companies	Locations	Main Businesses and Products	Original Investment Amounts		Balance as of December 31, 2023			Highest Holding During the Year	Net Income (Losses) of Investee	Investment Income (Losses) (Note 1)	Notes
				December 31, 2023	December 31, 2022	Shares	Percentages of Ownership	Carrying Amount (Note 1)				
The Company	Lotus International Pte. Ltd.	Singapore	Investment business and sale of medicine	1,873,694 (USD 60,600)	1,496,148 (USD 48,450)	60,600	100.00 %	1,614,563	100.00 %	6,723	(25,816)	
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 %	113	1.56 %	535	9	
The Company	Alvogen Korea Holdings	Korea	Investment business	4,858,270 (USD 157,029)	4,147,815 (USD 135,032)	1,457	100.00 %	3,625,276	100.00 %	310,988	503,672	Note 2
The Company	Alvogen India	India	Investment business	298,509 (USD 9,950)	298,509 (USD 9,950)	512	100.00 %	173,710	100.00 %	20,509	21,169	Note 2
The Company	Lotus Japan Holdings Co., Ltd.	Japan	Sale of medicine, clinical machine retail	623,647	623,647	-	100.00 %	482,927	100.00 %	8,192	8,192	
The Company	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	3,859 (USD 131)	3,859 (USD 131)	40	2.52 %	(17,862)	3.81 %	(12,318)	(11,896)	
The Company	Avos Pharma Science Co., Ltd.	Taiwan	Biotech technological consulting services, clinical machine retail and related consulting services	100	100	-	100.00 %	316	100.00 %	70	70	
Lotus International Pte. Ltd.	Lotus Support Services SRL	Romania	Pharmaceutical regulatory affairs project management services	3,010	3,010	44	100.00 %	10,330	100.00 %	2,791	2,791	
Lotus International Pte. Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	142,237 (USD 4,655)	94,544 (USD 3,154)	1,530	97.45 %	69,629	97.45 %	(12,318)	(29,637)	
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 %	3,641	100.00 %	3,117	3,117	

Investor Companies	Investee Companies	Locations	Main Businesses and Products	Original Investment Amounts		Balance as of December 31, 2023			Highest Holding During the Year	Net Income (Losses) of Investee	Investment Income (Losses) (Note 1)	Notes
				December 31, 2023	December 31, 2022	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 %	7,711	98.44 %	535	527	
Lotus International Pte. Ltd.	Lotus Healthcare Malaysia Sdn. Bhd.	Malaysia	Marketing activities and healthcare consultancy	7 (MYR 1)	7 (MYR 1)	1	100.00 %	169	100.00 %	235	235	
Lotus International Pte. Ltd.	Lotus Healthcare Philippines Corp.	Philippines	Marketing activities and healthcare consultancy	59,763 (PHP 106,658)	5,332 (PHP 9,590)	106,658	100.00 %	39,621	100.00 %	(19,405)	(20,890)	
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 %	12,973	100.00 %	2,148	2,148	
Lotus International Pte. Ltd.	Lotus Pharma ehf.	Iceland	Marketing activities and healthcare consultancy	106 (ISK 500)	106 (ISK 500)	500	100.00 %	1,561	100.00 %	429	429	
Lotus International Pte. Ltd.	Meishi Pharma Services Private Limited	India	Management consultancy service	37 (INR 100)	37 (INR 100)	10	100.00 %	(8,541)	100.00 %	(8,775)	(8,775)	
Lotus International Pte. Ltd.	Meishi Pharma Service Pte. Ltd.	Singapore	Management consultancy service	-	-	-	100.00 %	(88)	100.00 %	(86)	(86)	
Lotus Pharmaceutical, HK Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	30 (USD 1)	30 (USD 1)	-	0.03 %	29	0.04 %	(12,318)	(5)	

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, 2023

Table 9

(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	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, 2023
					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	377	100.00%	100.00%	377	(2,386)	-
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, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
21,011	21,011	10,400,181

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.

Parent company only statements

Independent Auditors' Report

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

Opinion

We have audited the parent-company-only financial statements of Lotus Pharmaceutical Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 parent-company-only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follows:

1. Revenue Recognition

Refer to Note 4(13) “Revenue from contracts with customers” and Note 6(18) “Revenue from contracts with customers” to the parent-company-only 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 Company'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. In addition, a portion of the revenues involved related-party transactions and profit-sharing arrangements. It requires management's estimate and judgments for the calculation and recognition. 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 the related documents and contracts to identify performance obligations and testing the calculated amounts to ensure the adequacy and reasonableness of revenue recognition.

2. Impairment Assessment of Goodwill and Goodwill Impairment Assessment of Subsidiaries Accounted for Using Equity Method

For the investments in subsidiaries and the impairment assessment of Goodwill, please refer to Note 4(8) "Investments in subsidiaries", Note 4(11) "Intangible assets", Note 4(12) "Impairment of non-financial assets", Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(8) "Goodwill" to the parent-company-only financial statements.

Key audit matters:

The Company's and the subsidiary Alvogen Korea's goodwill mainly arose from the reverse acquisition of the Company and Alvogen Korea's acquisition of Dream Pharmaceutical Co., Ltd. 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 indications for the identified CGUs of the Company 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 appointed our internal valuation specialists to assess the reasonableness of expected growth rate, discount rate and other significant assumptions used in the evaluation model.

Responsibilities of Management and Those Charged with Governance for the Parent-company-only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-company-only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 parent-company-only 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 parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only 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 investment in other entities accounted for using equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 parent-company-only 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 Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2024

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the 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 parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 1,304,787	5	1,226,433	5	2100	Short-term borrowings (note 6(10))	\$ 510,000	2	60,000	-
1140	Contract assets—current (notes 6(18) and 7)	128,782	-	258,779	1	2130	Contract liabilities—current (notes 6(18) and 7)	93,180	-	151,947	1
1170	Notes and accounts receivable, net (note 6(3))	892,144	3	526,132	2	2170	Notes and accounts payable	331,904	1	670,407	3
1180	Accounts receivable—related parties (note 7)	4,606,195	16	3,027,228	13	2180	Accounts payable—related parties (note 7)	129,714	-	270,423	1
1200	Other receivables	968	-	83,430	-	2200	Other payables (note 6(9))	696,202	3	2,382,530	10
1210	Other receivables—related parties (note 7)	173,280	1	103,365	-	2220	Other payables—related parties (note 7)	278,329	1	299,802	1
1220	Current tax assets	60,836	-	53,666	-	2230	Current tax liabilities	361,392	1	460,085	2
1310	Inventories (note 6(4))	1,780,397	6	1,883,338	8	2280	Lease liabilities—current (note 6(12))	19,356	-	15,896	-
1479	Other current assets (note 8)	<u>322,427</u>	<u>1</u>	<u>262,798</u>	<u>1</u>	2320	Current portion of long-term borrowings (notes 6(11) and 8)	763,386	3	-	-
	Total current assets	<u>9,269,816</u>	<u>32</u>	<u>7,425,169</u>	<u>30</u>	2399	Other current liabilities	<u>25,558</u>	<u>-</u>	<u>12,661</u>	<u>-</u>
Non-current assets:						Total current liabilities		<u>3,209,021</u>	<u>11</u>	<u>4,323,751</u>	<u>18</u>
1510	Financial asset at fair value through profit or loss—non-current (notes 6(2) and 7)	2,584,701	9	1,869,650	8	2527	Contract liabilities—non-current (note 6(18))	8,979	-	8,208	-
1550	Investments accounted for using equity method (note 6(5))	5,879,043	20	4,135,737	17	2540	Long-term borrowings (notes 6(11) and 8)	7,981,214	28	6,093,531	25
1600	Property, plant and equipment (notes 6(6) and 8)	2,430,089	8	2,205,431	9	2570	Deferred tax liabilities (note 6(14))	609,133	2	351,979	1
1755	Right-of-use assets (note 6(7))	50,770	-	35,265	-	2580	Lease liabilities—non-current (note 6(12))	32,297	-	20,482	-
1805	Goodwill (note 6(8))	2,751,253	10	2,751,253	11	2640	Defined benefit liabilities, net (note 6(13))	8,726	-	8,281	-
1821	Other intangible assets (notes 6(9) and 7)	6,093,703	21	6,124,134	25	2670	Other non-current liabilities (note 6(9))	<u>6,537</u>	<u>-</u>	<u>37,262</u>	<u>-</u>
1840	Deferred tax assets (note 6(14))	54,737	-	87,205	-	Total non-current liabilities		<u>8,646,886</u>	<u>30</u>	<u>6,519,743</u>	<u>26</u>
1900	Other non-current assets (note 9)	<u>75,430</u>	<u>-</u>	<u>77,540</u>	<u>-</u>	Total liabilities		<u>11,855,907</u>	<u>41</u>	<u>10,843,494</u>	<u>44</u>
	Total non-current assets	<u>19,919,726</u>	<u>68</u>	<u>17,286,215</u>	<u>70</u>	Equity (note 6(15)):					
						3100	Share capital	2,649,583	9	2,625,913	11
						3200	Capital surplus	7,130,549	24	7,534,348	29
						3300	Retained earnings	8,900,089	30	4,823,417	20
						3400	Other equity	(1,295,489)	(4)	(1,058,434)	(4)
						3500	Treasury shares	<u>(51,097)</u>	<u>-</u>	<u>(57,354)</u>	<u>-</u>
						Total equity		<u>17,333,635</u>	<u>59</u>	<u>13,867,890</u>	<u>56</u>
	Total assets	<u>\$ 29,189,542</u>	<u>100</u>	<u>24,711,384</u>	<u>100</u>	Total liabilities and equity		<u>\$ 29,189,542</u>	<u>100</u>	<u>24,711,384</u>	<u>100</u>

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd.

Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	Net revenue (notes 6(18) and 7)	\$ 10,811,942	100	8,742,896	100
5000	Cost of sales (notes 6(4) and 7)	4,226,946	39	3,726,809	43
5900	Gross profit from operations	6,584,996	61	5,016,087	57
5910	Unrealized gains on transactions with subsidiaries	(14,283)	-	(10,817)	-
5950	Gross profit from operations	6,570,713	61	5,005,270	57
Operating expenses (note 7):					
6100	Selling expenses	1,173,726	11	842,117	9
6200	Administrative expenses	751,844	7	495,941	6
6300	Research and development expenses	555,188	5	376,060	4
6450	Reversal of expected credit loss (note 6(3))	(5,457)	-	(7,509)	-
	Total operating expenses	2,475,301	23	1,706,609	19
6900	Operating income	4,095,412	38	3,298,661	38
Non-operating income and expenses:					
7100	Interest income	23,674	-	991	-
7010	Other income (note 7)	24,993	-	13,235	-
7020	Other gains and losses, net (note 6(20))	694,697	7	136,459	1
7050	Finance costs (notes 6(20) and 7)	(317,432)	(3)	(123,597)	(1)
7060	Share of profit of subsidiaries accounted for using equity method (note 6(5))	509,683	5	364,074	4
		935,615	9	391,162	4
7900	Income before income tax	5,031,027	47	3,689,823	42
7950	Less: Income tax expense (note 6(14))	925,401	9	669,066	8
	Net income	4,105,626	38	3,020,757	34
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurement of defined benefit plans (note 6(13))	(813)	-	1,814	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	161,674	1	97,606	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(14))	163	-	(363)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	161,024	1	99,057	1
8360	Components of other comprehensive income (loss) that may be reclassified to profit or loss				
8381	Exchange differences on translation of foreign financial statements	(1,769)	-	146,014	2
	Components of other comprehensive income (loss) that may be reclassified to profit or loss	(1,769)	-	146,014	2
8300	Other comprehensive income, net	159,255	1	245,071	3
8500	Total comprehensive income	\$ 4,264,881	39	3,265,828	37
Earnings per share (note 6(17))					
9750	Basic earnings per share	\$ 15.72		11.59	
9850	Diluted earnings per share	\$ 15.67		11.54	

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd.

Statements of Changes in Equity

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity					Total equity
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial asset at fair value through other comprehensive income	Unearned share-based payments	Total	Treasury shares	
Balance at January 1, 2022	\$ 2,627,963	8,038,813	35,366	115,476	1,549,793	1,700,635	(908,356)	(268,975)	(63,616)	(1,240,947)	(57,754)	11,068,710
Net income	-	-	-	-	3,020,757	3,020,757	-	-	-	-	-	3,020,757
Other comprehensive income (loss)	-	-	-	-	102,025	102,025	146,014	(2,968)	-	143,046	-	245,071
Total comprehensive income (loss)	-	-	-	-	3,122,782	3,122,782	146,014	(2,968)	-	143,046	-	3,265,828
Appropriation of earnings:												
Legal reserve appropriated	-	-	143,898	-	(143,898)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	548,445	(548,445)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	(506,058)	-	-	-	-	-	-	-	-	-	(506,058)
Share-based payments	(2,050)	1,593	-	-	-	-	-	-	39,467	39,467	400	39,410
Balance at December 31, 2022	\$ 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

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd.

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Income before income tax	\$ 5,031,027	3,689,823
Adjustments:		
Adjustments to reconcile income		
Depreciation expense	132,026	119,539
Amortization expense	717,969	482,404
Reversal of expected credit loss	(5,457)	(7,509)
Gains on financial asset at fair value through profit or loss	(715,051)	(286,808)
Finance costs	317,432	123,597
Interest income	(23,674)	(991)
Share-based payments	106,493	39,410
Share of profit of subsidiaries accounted for using equity method	(509,683)	(364,074)
Losses on disposal of property, plant and equipment	23,347	1,133
Impairment loss on intangible assets	185,944	101,438
Unrealized gain on transactions with subsidiaries	14,283	10,817
Unrealized foreign exchange losses (gains)	(194,390)	108,852
Write-downs of inventories	67,285	57,121
Losses from early repayment of loans	98,939	8,479
Gains on lease modifications	(292)	(128)
Total adjustments to reconcile income	<u>215,171</u>	<u>393,280</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	129,742	(176,456)
Notes and accounts receivable, net	(366,476)	(149,456)
Accounts receivable—related parties	(1,512,522)	(1,000,683)
Other receivables	(968)	(36,804)
Other receivables—related parties	(55,630)	25,142
Inventories	35,656	47,130
Other current assets	(52,433)	(94,403)
Total changes in operating assets	<u>(1,822,631)</u>	<u>(1,385,530)</u>
Changes in operating liabilities:		
Contract liabilities	(56,511)	37,209
Notes and accounts payable	(260,569)	386,275
Accounts payable—related parties	(139,149)	6,342
Other payables	41,472	133,964
Other payables—related parties	(20,547)	139,626
Other current liabilities	13,133	7,966
Defined benefit liabilities, net	(367)	122
Other non-current liabilities	-	(7,429)
Total changes in operating liabilities	<u>(422,538)</u>	<u>704,075</u>
Total changes in operating assets and liabilities	<u>(2,245,169)</u>	<u>(681,455)</u>
Total adjustments	<u>(2,029,998)</u>	<u>(288,175)</u>

(Continued)

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd.

Statements of Cash Flows (Continued)

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows generated from operations	3,001,029	3,401,648
Interest received	23,674	991
Interest paid	(251,873)	(78,806)
Income taxes paid	(736,633)	(248,027)
Net cash flows generated from operating activities	<u>2,036,197</u>	<u>3,075,806</u>
Cash flows from investing activities:		
Acquisition of financial asset at fair value through profit or loss	-	(1,582,842)
Acquisition of property, plant and equipment	(335,226)	(507,591)
Proceeds from disposal of property, plant and equipment	952	-
Decrease in refundable deposits	2,109	9,022
Acquisition of intangible assets (including capitalized development expenses)	(2,630,878)	(2,391,944)
Increase in other current assets	(6,000)	-
Net cash outflow on acquisition of new shares in subsidiary	(1,088,001)	(883,790)
Net cash flows used in investing activities	<u>(4,057,044)</u>	<u>(5,357,145)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,121,000	1,276,785
Repayments of short-term borrowings	(671,000)	(1,826,785)
Proceeds from long-term borrowings	18,412,890	6,250,240
Repayments of long-term borrowings	(15,850,102)	(1,733,014)
Decrease in other payables to related parties	-	(558,274)
Payments of lease liabilities	(23,646)	(20,668)
Cash dividends paid	(906,227)	(506,058)
Treasury shares sold to employees	598	-
Net cash flows generated from financing activities	<u>2,083,513</u>	<u>2,882,226</u>
Effect of exchange rate changes on cash and cash equivalents	<u>15,688</u>	<u>-</u>
Net increase in cash and cash equivalents	78,354	600,887
Cash and cash equivalents at beginning of year	1,226,433	625,546
Cash and cash equivalents at end of year	<u><u>\$ 1,304,787</u></u>	<u><u>1,226,433</u></u>

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Lotus Pharmaceutical Co., Ltd.

Notes to the Financial Statements

For the Years Ended December 31, 2023 and 2022

(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 Alvogen Emerging Markets Holdings Limited (“Alvogen EMH”); consequently, the Company 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 Company’s intermediate holding company, Alvogen Lux Holdings SARL, transferred its investment in Alvogen EMH to Aztiq II BidCo Limited; consequently, the Company’s ultimate controlling party changed from Celtic Holdings SCA to PTT Public Company Limited (“PTT”). In addition, PTT, through its indirectly owned subsidiary, Innobic LL Holding Company Limited, owned 6.62% ownership interest in the Company on December 31, 2023; please refer to note 13(4). PTT is listed on the Stock Exchange of Thailand.

The Company 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 financial statements

These parent-company-only financial statements were authorized for issue by the Board of Directors of the Company on March 14, 2024.

3. New standards, amendments and interpretations adopted

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, ROC (the “FSC”) which have already been adopted

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which does not have a significant impact on its parent-company-only financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

- (2) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its parent-company-only financial statements:

- 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”

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only 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”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of material accounting policies

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

- (1) Statement of compliance

These parent-company-only 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”).

- (2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

- (1) Financial assets at fair value through profit or loss (“FVTPL”) are measured at fair value ;and
- (2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent-company-only 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) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company 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.

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 Company 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 Company 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.

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.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

- C. It is expected to be realized within twelve months after the reporting date; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting date; or
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) 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.

(6) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company 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.

On initial recognition, a financial asset is classified as measured at amortized cost, or at FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company 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.

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

(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) FVTPL

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost 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.

(c) Impairment of financial assets

The Company 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, other financial assets and contract assets.

ECL are a probability-weighted estimates of credit losses.

The Company 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 Company 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 Company’s historical experience and informed credit assessment as well as forward-looking information.

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

The Company 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 Company in full.

At each reporting date, the Company 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.

(d) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company 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).

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(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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

(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 Company 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.

(7) 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.

(8) Investments in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using equity method. Under the equity method, net income, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are attributable to parent company shareholders in the consolidated financial statements.

The changes in the parent's ownership interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

Lotus Pharmaceutical Co., Ltd.
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Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

(9) 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 Company.

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	3~10 years
(c) Miscellaneous equipment	3~6 years
(d) Leasehold improvements	1~5 years

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

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

(10) Leases

A. Identifying a lease

At inception of a contract, the Company 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 Company 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 Company's incremental borrowing rate. Generally, the Company 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;
- (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 Company'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

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- (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 Company 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 Company 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 Company 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 Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(11) 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 Company'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.

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.

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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.

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 Company 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.

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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 | 7~10 years |
| (b) Others | 3~6 years |

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

(12) Impairment of non-financial assets

At each reporting date, the Company 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.

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.

(13) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

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Notes to the Financial Statements

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.

D. Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

(14) 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 Company'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 Company, 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.

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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 Company 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 Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. 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 Company 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.

(15) 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 Company informs its employee of the exercise price and number of exercised shares.

(16) 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.

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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 Company 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.

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

- A. the Company 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.

(17) Earnings per share

The Company 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.

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Notes to the Financial Statements

(18) Operating segments

The Company has disclosed operating segment information in the consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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

In preparing these parent-company-only financial statements, management has made judgments, estimates, and assumptions 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.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

Impairment of goodwill

The assessment of impairment of goodwill requires the Company 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(8) for further description of the impairment assessment of goodwill.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and demand deposits	\$ 1,304,787	1,226,433

(2) Financial asset at FVTPL

	December 31, 2023	December 31, 2022
Financial asset mandatorily measured at FVTPL: Foreign preferred stock – New Alvogen Group Holding Inc.	\$ 2,584,701	1,869,650

Please refer further details to note 7(3)E.

For the information of fair value of financial instruments, please refer to note 6(21)d.

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

(3) Notes and accounts receivable, net

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 923,946	563,391
Less: Expected credit loss allowance	(31,802)	(37,259)
	\$ 892,144	526,132

The Company applies the simplified approach to measure the expected credit loss allowance, which uses lifetime expected loss provision for all notes and accounts receivable. To measure the expected credit losses, notes and 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, 2023		
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
<u>Group 1</u>			
Current	\$ 295,948	0.28 %	829
1 to 60 days past due	6,400	3.62 %	232
61 to 90 days past due	3	5.35 %	-
121 to 150 days past due	6	16.61 %	1
151 to 180 days past due	102	96.55 %	99
181 to 360 days past due	1,181	100.00 %	1,181
More than 360 days past due	29,460	100.00 %	29,460
	\$ 333,100		31,802
	December 31, 2023		
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
<u>Group 2</u>			
Current	\$ 590,846	- %	-

Group 1: Customer of general risk.

Group 2: Customer of low risk.

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	December 31, 2022		
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
Current	\$ 528,269	0.93 %	4,921
1 to 60 days past due	2,098	13.87 %	291
61 to 90 days past due	35	21.28 %	7
91 to 120 days past due	1,345	29.56 %	397
121 to 150 days past due	2	46.70 %	1
151 to 180 days past due	65	100.00 %	65
181 to 360 days past due	430	100.00 %	430
More than 360 days past due	31,147	100.00 %	31,147
	\$ 563,391		37,259

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

	2023	2022
Balance at January 1	\$ 37,259	44,768
Credit loss reversed	(5,457)	(7,509)
Balance at December 31	\$ 31,802	37,259

(4) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 719,395	969,720
Work in process	364,209	268,218
Finished goods and merchandise	682,052	564,966
Inventory in transit	14,741	80,434
	\$ 1,780,397	1,883,338

For the years ended December 31, 2023 and 2022, write-downs of inventories to net realizable value in the amount of \$67,285 and \$57,121, respectively, were included in the cost of sales.

As of December 31, 2023 and 2022, none of the inventories were pledged as collateral.

(5) Investment accounted for using equity method

The investments accounted for using equity method were as follows:

	December 31, 2023	December 31, 2022
Investments in subsidiaries	\$ 5,879,043	4,135,737

The Company participated in the cash capital increases of its subsidiary, Lotus International Pte. Ltd., totaled \$377,546 and \$883,790 in 2023 and 2022, respectively.

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The Company participated in the cash capital increase of its subsidiary, Alvogen Korea Holdings Ltd., at the amount of \$710,455 in 2023.

The share of profit of subsidiaries accounted for using equity method was as follows:

Subsidiaries	For the years ended December 31,	
	2023	2022
	\$ 509,683	364,074

Please refer to consolidated financial statements for the years ended December 31, 2023 and 2022, for the subsidiaries information.

(6) Property, plant and equipment

The movement in the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022, 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, 2023	\$ 261,192	815,647	653,137	77,751	1,078,428	9,566	2,895,721
Additions	-	26,246	41,651	9,300	280,077	-	357,274
Disposals	-	(1,207)	(48,030)	(3,510)	-	-	(52,747)
Reclassification	-	459,481	225,785	16,680	(701,946)	-	-
Balance at December 31, 2023	\$ 261,192	1,300,167	872,543	100,221	656,559	9,566	3,200,248
Balance at January 1, 2022	\$ 261,192	763,291	561,315	74,172	648,472	10,566	2,319,008
Additions	-	510	12,970	80	578,142	-	591,702
Disposals	-	(10,979)	(221)	(1,778)	-	(1,000)	(13,978)
Reclassification	-	62,825	79,073	5,277	(148,186)	-	(1,011)
Balance at December 31, 2022	\$ 261,192	815,647	653,137	77,751	1,078,428	9,566	2,895,721
Accumulated depreciation:							
Balance at January 1, 2023	\$ -	229,803	395,861	58,852	-	5,774	690,290
Depreciation	-	28,208	69,554	8,735	-	1,820	108,317
Disposals	-	(1,155)	(23,903)	(3,390)	-	-	(28,448)
Balance at December 31, 2023	\$ -	256,856	441,512	64,197	-	7,594	770,159
Balance at January 1, 2022	\$ -	214,616	333,391	51,126	-	4,954	604,087
Depreciation	-	25,033	62,691	9,504	-	1,820	99,048
Disposals	-	(9,846)	(221)	(1,778)	-	(1,000)	(12,845)
Balance at December 31, 2022	\$ -	229,803	395,861	58,852	-	5,774	690,290
Carrying amounts:							
Balance at December 31, 2023	\$ 261,192	1,043,311	431,031	36,024	656,559	1,972	2,430,089
Balance at January 1, 2022	\$ 261,192	548,675	227,924	23,046	648,472	5,612	1,714,921
Balance at December 31, 2022	\$ 261,192	585,844	257,276	18,899	1,078,428	3,792	2,205,431

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As of December 31, 2023 and 2022, certain property, plant and equipment were pledged as collateral; please refer to note 8.

(7) Right-of-use assets

The Company leases certain buildings, office equipment and vehicles. The movement in the leases for the years ended December 31, 2023 and 2022, which the Company is a lessee was as follows:

	<u>Buildings</u>	<u>Office equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 52,354	13,839	7,052	73,245
Additions	33,297	6,548	833	40,678
Disposals	<u>(13,721)</u>	<u>(2,752)</u>	<u>(2,345)</u>	<u>(18,818)</u>
Balance at December 31, 2023	<u>\$ 71,930</u>	<u>17,635</u>	<u>5,540</u>	<u>95,105</u>
Balance at January 1, 2022	\$ 52,756	2,753	5,748	61,257
Additions	12,375	11,086	4,559	28,020
Disposals	<u>(12,777)</u>	<u>-</u>	<u>(3,255)</u>	<u>(16,032)</u>
Balance at December 31, 2022	<u>\$ 52,354</u>	<u>13,839</u>	<u>7,052</u>	<u>73,245</u>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 31,567	3,788	2,625	37,980
Depreciation	17,417	4,379	1,913	23,709
Disposals	<u>(13,390)</u>	<u>(2,388)</u>	<u>(1,576)</u>	<u>(17,354)</u>
Balance at December 31, 2023	<u>\$ 35,594</u>	<u>5,779</u>	<u>2,962</u>	<u>44,335</u>
Balance at January 1, 2022	\$ 26,382	1,450	2,865	30,697
Depreciation	16,021	2,338	2,132	20,491
Disposals	<u>(10,836)</u>	<u>-</u>	<u>(2,372)</u>	<u>(13,208)</u>
Balance at December 31, 2022	<u>\$ 31,567</u>	<u>3,788</u>	<u>2,625</u>	<u>37,980</u>
Carrying amounts:				
Balance at December 31, 2023	<u>\$ 36,336</u>	<u>11,856</u>	<u>2,578</u>	<u>50,770</u>
Balance at January 1, 2022	<u>\$ 26,374</u>	<u>1,303</u>	<u>2,883</u>	<u>30,560</u>
Balance at December 31, 2022	<u>\$ 20,787</u>	<u>10,051</u>	<u>4,427</u>	<u>35,265</u>

(8) Goodwill

The movement in the goodwill of the Company for the years ended December 31, 2023 and 2022, was as follows:

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	2023	2022
Cost:		
Balance at January 1 and December 31	\$ <u>2,825,253</u>	<u>2,825,253</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, 2023	\$ <u>2,751,253</u>	
Balance at January 1, 2022	\$ <u>2,751,253</u>	
Balance at December 31, 2022	\$ <u>2,751,253</u>	

Goodwill arose from the reverse acquisition of the Company on August 11, 2014. For the purposes of impairment testing, goodwill has been allocated to the pharmaceuticals CGU.

The recoverable amount of the CGU 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, 2023 and 2022, the discount rates used to determine the future cash flows were 7.47%~16.09% and 8.39%~17.5%, respectively. Other key assumptions included budgeted revenue and budgeted gross margin. Such assumptions were based on past performance of the CGU and management's expectation of market developments. Based on the impairment testing for the years ended December 31, 2023 and 2022, no impairment loss was recognized.

(9) Other intangible assets

The movement in the intangible assets of the Company for the years ended December 31, 2023 and 2022, was as follows:

	Product Rights	Capitalization of Development Expenses	Others	Total
Cost:				
Balance at January 1, 2023	\$ 6,442,867	1,596,983	26,990	8,066,840
Additions	23,861	777,957	71,664	873,482
Reclassification	<u>283,018</u>	<u>(283,018)</u>	-	-
Balance at December 31, 2023	\$ <u>6,749,746</u>	<u>2,091,922</u>	<u>98,654</u>	<u>8,940,322</u>
Balance at January 1, 2022	\$ 2,779,353	1,162,722	25,979	3,968,054
Additions	3,535,826	561,949	-	4,097,775
Reclassification	<u>127,688</u>	<u>(127,688)</u>	1,011	1,011
Balance at December 31, 2022	\$ <u>6,442,867</u>	<u>1,596,983</u>	<u>26,990</u>	<u>8,066,840</u>

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	<u>Product Rights</u>	<u>Capitalization of Development Expenses</u>	<u>Others</u>	<u>Total</u>
Accumulated amortization and impairment loss:				
Balance at January 1, 2023	\$ 1,487,092	434,134	21,480	1,942,706
Amortization	708,524	-	9,445	717,969
Impairment loss	-	185,944	-	185,944
Balance at December 31, 2023	<u>\$ 2,195,616</u>	<u>620,078</u>	<u>30,925</u>	<u>2,846,619</u>
Balance at January 1, 2022	\$ 1,010,540	332,696	15,628	1,358,864
Amortization	476,552	-	5,852	482,404
Impairment loss	-	101,438	-	101,438
Balance at December 31, 2022	<u>\$ 1,487,092</u>	<u>434,134</u>	<u>21,480</u>	<u>1,942,706</u>
Carrying amounts:				
Balance at December 31, 2023	<u>\$ 4,554,130</u>	<u>1,471,844</u>	<u>67,729</u>	<u>6,093,703</u>
Balance at January 1, 2022	<u>\$ 1,768,813</u>	<u>830,026</u>	<u>10,351</u>	<u>2,609,190</u>
Balance at December 31, 2022	<u>\$ 4,955,775</u>	<u>1,162,849</u>	<u>5,510</u>	<u>6,124,134</u>

Impairment losses on intangible assets recognized for the years ended December 31, 2023 and 2022, were as follows:

<u>Item</u>	<u>Operating expenses</u>	<u>For the years ended December 31,</u>	
		<u>2023</u>	<u>2022</u>
Capitalization of development expenses	Research and development expenses	<u>\$ 185,944</u>	<u>101,438</u>

In 2022, the Company acquired two product rights from a third party for a total purchase price of \$3,535,541. As of December 31, 2023 and 2022, the amount of \$62,258 and \$1,870,663, respectively, has yet to be paid and was presented in other payables and other non-current liabilities.

(10) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	<u>\$ 510,000</u>	<u>60,000</u>
Unused credit line	<u>\$ 20,000</u>	<u>220,000</u>
Range of interest rates	<u>2.00%~2.28%</u>	<u>2.15%</u>

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(11) Long-term borrowings

The long-term borrowings were summarized as follows:

	December 31, 2023	December 31, 2022
Secured bank loans	\$ 8,744,600	6,093,531
Less: Current portion	(763,386)	-
Total	<u>\$ 7,981,214</u>	<u>6,093,531</u>
Unused credit line	<u>\$ 6,120,000</u>	<u>1,224,262</u>
Range of maturity period (year/month)	<u>2024/10~2026/10</u>	<u>2024/1~2025/7</u>
Range of interest rates	<u>3.41%~7.78%</u>	<u>2.97%~6.13%</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 as of December 31, 2023, (i) the net leverage ratio of the Company and its subsidiaries (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.

The Company complied with above mentioned financial covenants as of December 31, 2023.

For the years ended December 31, 2023 and 2022, the Company incurred losses due to early repayment of loans amounting to \$98,939 and \$8,479, respectively.

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

(12) Lease liabilities – current and non-current

The carrying amounts of the lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	<u>\$ 19,356</u>	<u>15,896</u>
Non-current	<u>\$ 32,297</u>	<u>20,482</u>

Please refer to note 6(21) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interest expenses on lease liabilities	<u>\$ 997</u>	<u>653</u>
Expenses relating to short-term leases	<u>\$ 9,796</u>	<u>2,966</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 1,252</u>	<u>1,417</u>

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Notes to the Financial Statements

The amounts recognized in the statement of cash flows for the Company were as follows:

	For the years ended December 31,	
	2023	2022
Total cash outflow for leases	\$ 35,691	25,704

A. Real estate leases

The Company leases buildings for its office space. The leases typically run for a period of one to five 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 Company 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 Company leases transportation and office equipment with contract terms of one to five years. In certain cases, the Company 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.

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

(13) Employee benefits

A. Defined benefit plans

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

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligation	\$ 22,708	21,414
Fair value of plan assets	(13,982)	(13,133)
Net defined benefit liabilities	\$ 8,726	8,281

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.

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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

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 21,414	22,054
Current service costs and interest	292	201
Remeasurement		
– Actuarial loss (gain) arising from experience adjustments	1,002	(451)
– Actuarial gain arising from changes in financial assumptions	-	(390)
Balance at December 31	<u>\$ 22,708</u>	<u>21,414</u>

(c) Fair value of the defined benefit plan assets

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (13,133)	(12,082)
Interest income	(91)	(44)
Remeasurement		
– Return on plan assets (excluding current interest)	(189)	(973)
Contributions paid by the employer	(569)	(34)
Balance at December 31	<u>\$ (13,982)</u>	<u>(13,133)</u>

(d) Expenses recognized in profit or loss

	For the years ended	
	December 31,	
	<u>2023</u>	<u>2022</u>
Current service costs	\$ 98	96
Net interest on the net defined benefit liabilities	103	61
	<u>\$ 201</u>	<u>157</u>
Cost of sales	\$ 100	78
Selling expenses	64	50
Research and development expenses	37	29
	<u>\$ 201</u>	<u>157</u>

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(e) Actuarial assumptions

The following were the Company's significant actuarial assumptions of the present value of the defined benefit obligation at the reporting date:

	December 31, 2023	December 31, 2022
Discount rate	1.25%	1.25%
Future salary increase rate	3.50%	3.50%

The Company expects to contribute \$2,330 to the defined benefit plans in 2024.

The weighted-average duration of the defined benefit obligation was 9.7 years.

(f) Sensitivity analysis

If there is a change in the actuarial assumptions as of December 31, 2023 and 2022 the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligations	
	Increased	Decreased
Balance at December 31, 2023		
Discount rate (1.00% movement)	\$ (1,488)	1,682
Future salary increase rate (1.00% movement)	1,660	(1,500)
Balance at December 31, 2022		
Discount rate (1.00% movement)	(1,604)	1,824
Future salary increase rate (1.00% movement)	1,770	(1,592)

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.

The Company pension costs under the defined contribution plan were \$23,300 and \$20,280 for the years ended December 31, 2023 and 2022, respectively.

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(14) Income tax

A. Income tax expense

The components of income tax for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Current tax expense		
Current year	\$ 635,468	552,996
Adjustments in respect of prior years	148	7,141
	<u>635,616</u>	<u>560,137</u>
Deferred tax expense		
Current period	289,311	120,856
Adjustments in respect of prior years	474	(11,927)
	<u>289,785</u>	<u>108,929</u>
Income tax expense	\$ 925,401	669,066

Reconciliation of income tax expenses and income before income tax for the years ended December 31, 2023 and 2022 was as follows:

	2023	2022
Income before income tax	\$ 5,031,027	3,689,823
Income tax at statutory tax rate	1,006,206	737,965
Permanent differences (including non-deductible expenses)	(81,427)	(64,113)
Adjustments in respect of prior years	622	(4,786)
	\$ 925,401	669,066

The corporate income tax rate used by the Company is 20%.

B. Deferred tax assets and liabilities

(a) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred tax assets:

	January 1, 2023	Recognized in income statement	Recognized in other comprehensive income	December 31, 2023
Defined benefit obligation	\$ 2,268	-	163	2,431
Inventories	15,660	3,190	-	18,850
Loss carryforwards	474	(474)	-	-
Deferred profit of upstream transaction	28,802	(6,913)	-	21,889
Accounts receivable	278	(145)	-	133
Others	39,723	(28,289)	-	11,434
	\$ 87,205	(32,631)	163	54,737

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	January 1, 2022	Recognized in income statement	Recognized in other comprehensive income	December 31, 2022
Defined benefit obligation	\$ 2,631	-	(363)	2,268
Inventories	8,414	7,246	-	15,660
Loss carryforwards	-	474	-	474
Deferred profit of upstream transaction	35,714	(6,912)	-	28,802
Accounts receivable	4,410	(4,132)	-	278
Others	18,724	20,999	-	39,723
	<u>\$ 69,893</u>	<u>17,675</u>	<u>(363)</u>	<u>87,205</u>

Deferred tax liabilities:

	January 1, 2023	Recognized in income statement	Recognized in other comprehensive income	December 31, 2023
Pension unfunded	\$ 611	74	-	685
Unrealized appraisal increment & deferred tax liabilities from acquisition of the Company	12,346	(3,711)	-	8,635
Unrealized gains on FVTPL	57,362	143,010	-	200,372
Capitalization of development expenses	277,749	105,891	-	383,640
Others	3,911	11,890	-	15,801
	<u>\$ 351,979</u>	<u>257,154</u>	<u>-</u>	<u>609,133</u>

	January 1, 2022	Recognized in income statement	Recognized in other comprehensive income	December 31, 2022
Pension unfunded	\$ 636	(25)	-	611
Unrealized appraisal increment & deferred tax liabilities from acquisition of the Company	18,527	(6,181)	-	12,346
Unrealized gains on FVTPL	-	57,362	-	57,362
Capitalization of development expenses	202,301	75,448	-	277,749
Others	3,911	-	-	3,911
	<u>\$ 225,375</u>	<u>126,604</u>	<u>-</u>	<u>351,979</u>

(b) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2023 and 2022. 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, 2023	December 31, 2022
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 400,176</u>	<u>301,096</u>

C. Income tax assessments

As of December 31, 2023, the tax authorities have completed the examination of the Company's income tax returns through 2019.

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(15) Capital and other equity

A. Share capital

As of December 31, 2023 and 2022, 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 \$2,649,583 and \$2,625,913 as of December 31, 2023 and 2022, 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, 2023 and 2022, there were 17,517 thousand privately placed shares included in the issued share capital of the Company.

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.

About the cancellation of the forfeited shares under the 2019 Employee Restricted Stock Awards Plan (the "2019 RSA Plan"), please refer to note 6(16).

On August 10, 2023, the Board of Directors approved the issuance of 2,487 thousand shares, under the 2023 Employee Restricted Stock Awards Plan(the"2023 RSA Plan"). Please refer to note 6(16). The relevant statutory registration procedures have since been completed.

B. Capital surplus

The ending balances of capital surplus were as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 5,305,689	6,171,554
Treasury share transactions	25,546	16,805
Conversion of convertible bonds	1,268,876	1,268,876
Restricted stock awards	<u>530,438</u>	<u>77,113</u>
	<u>\$ 7,130,549</u>	<u>7,534,348</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 16, 2022, the Board of Directors resolved to distribute cash dividends from capital surplus at \$1.93 dollars per share in the amount of \$506,058. The resolution was approved in the shareholders' meeting held on June 30, 2022.

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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(16).

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.

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, 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 2021 was approved by the Board of Directors on March 16, 2022; no cash dividend was proposed. The appropriation of earnings to legal reserve and special reserve was approved in the shareholders' meeting held on June 30, 2022.

The appropriation of earnings for 2022 was approved by the Board of Directors on March 9, 2023; no cash dividend was approved. The appropriation of earnings to legal reserve and special reserve was approved in the shareholders' meeting held on June 15, 2023.

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 remaining items will need to be approved in the shareholders' meeting.

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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 August 10, 2023, the Board of Directors approved the transfer of 66 thousand treasury shares to employees. As of December 31, 2023, 60 thousand treasury shares were transferred. Please refer to note 6(16) for the details.

As of December 31, 2023 and 2022, treasury shares yet to be transferred were 490 thousand and 550 thousand shares, respectively.

About the information of forfeited shares under the 2019 RSA Plan, please refer to note 6(16).

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.

(16) 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 of 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, 2023 and 2022, 400 thousand and 280 thousand shares under the 2019 RSA Plan were forfeited, respectively. 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, 2023 and 2022, there were no shares available for future grants under the 2019 RSA Plan.

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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

Vesting Conditions	The Maximum Proportion of the RSA Vested (% of the RSA Granted to the Employee)
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

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

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.

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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.

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.

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- (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.

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

The share-based payment expense is recognized based on grant date fair value of the awards and the estimated number of awards that are expected to vest. Forfeitures are estimated based on historical experience at the time of grant and are revised in subsequent periods if actual forfeitures differ from those estimates. Share-based payment expense is amortized on a straight-line basis over the relevant service periods.

	2023	2022
Balance at January 1	\$ (24,149)	(63,616)
Granted	(517,357)	-
Share-based payment expense	92,093	39,410
Change of estimation	-	57
Balance at December 31	\$ (449,413)	(24,149)

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 \$14,400 for the year ended December 31, 2023.

<u>Grant date</u>	<u>Total shares vested (thousands)</u>	<u>Vesting conditions</u>	<u>Share price</u>	<u>Exercise price</u>	<u>Fair value per unit</u>
August 14, 2023	60	Vest immediately	250	10	240

(17) Earnings per share

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

	For the years ended December 31,	
	2023	2022
Basic earnings per share		
Net income attributable to owners of the Company	\$ 4,105,626	3,020,757
Weighted average number of ordinary shares (in thousands)	261,242	260,549
Basic earnings per share (in dollars)	\$ 15.72	11.59

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	For the years ended December 31,	
	2023	2022
Diluted earnings per share		
Net income attributable to owners of the Company	\$ <u>4,105,626</u>	<u>3,020,757</u>
Weighted average number of ordinary shares (in thousands)	261,242	260,549
Effect of dilutive potential ordinary shares		
Restricted stock awards issued to employees (in thousands)	595	984
Remuneration to employees (in thousands)	187	151
Weighted average number of ordinary shares (diluted) (in thousands)	<u>262,024</u>	<u>261,684</u>
Diluted earnings per share (in dollars)	\$ <u>15.67</u>	<u>11.54</u>

(18) Revenue from contracts with customers

A. Disaggregation of revenue

	2023	2022
Primary geographical markets:		
United States	\$ 6,789,699	5,859,891
Taiwan	2,412,754	1,453,917
Others	1,609,489	1,429,088
	<u>\$ 10,811,942</u>	<u>8,742,896</u>
Major products/services lines:		
Sale of goods	\$ 10,608,986	8,721,018
Out-licensing of IP rights	202,956	21,878
	<u>\$ 10,811,942</u>	<u>8,742,896</u>

B. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets – current	\$ <u>128,782</u>	<u>258,779</u>	<u>82,050</u>
Contract liabilities – current	\$ <u>93,180</u>	<u>151,947</u>	<u>106,185</u>
Contract liabilities – non-current	\$ <u>8,979</u>	<u>8,208</u>	<u>8,042</u>

For details on notes and accounts receivable, net and expected credit loss allowance, please refer to note 6(3). For details on accounts receivable – related parties, please refer to note 7.

The amount of \$74,209 and \$11,621 included in contract liabilities balance at the beginning of the year has been recognized as revenue for the years ended December 31, 2023 and 2022, respectively.

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(19) 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.

For the years ended December 31, 2023 and 2022, the Company accrued and recognized employee remuneration amounting to \$50,818 and \$37,271, respectively; however, no remuneration to directors was accrued for both years. 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.

(20) 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,	
	2023	2022
Losses on disposal of property, plant and equipment	\$ (23,347)	(1,133)
Gains on financial asset at FVTPL	715,051	286,808
Foreign exchange gains (losses)	110,921	(126,980)
Losses from early repayment of loans	(98,939)	(8,479)
Others	(8,989)	(13,757)
	\$ 694,697	136,459

For the details on losses from early repayment of loans, please refer to note 6(11).

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B. Finance costs

The details of finance costs were as follows:

	For the years ended December 31,	
	2023	2022
Interest expenses on borrowings	\$ 316,435	122,944
Interest expenses on lease liabilities	997	653
	\$ 317,432	123,597

(21) Financial instruments

A. Credit risk

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

The Company established a credit policy to have transactions only with reputable counterparties. If necessary, the Company will request collateral to mitigate risks arising from financial loss due to default risk. The Company 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, 2023 and 2022, the Company's largest customer individually accounted for 63% and 67%, respectively, of the Company's net revenue. As of December 31, 2023 and 2022, such largest customer accounted for 75% and 77% of notes and accounts receivable (including related parties), respectively. There is no other significant concentration of credit risk.

For credit risk exposure of notes and accounts receivable (including related parties), please refer to notes 6(3) and 7.

The Company 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 Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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The Company 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, 2023 and 2022, please refer to notes 6(10) and (11) for the Company's unused credit line.

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, 2023					
Non-derivative financial liabilities					
Short-term borrowings	\$ 510,000	512,784	512,784	-	-
Notes and accounts payable (including related parties)	461,618	461,618	461,618	-	-
Other payables (including related parties)	974,531	974,531	974,531	-	-
Long-term borrowings (including current portion)	8,744,600	9,697,497	1,105,117	8,592,380	-
Lease liabilities—current and non- current	51,653	53,336	20,146	33,190	-
	<u>\$ 10,742,402</u>	<u>11,699,766</u>	<u>3,074,196</u>	<u>8,625,570</u>	<u>-</u>
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 60,000	60,064	60,064	-	-
Notes and accounts payable (including related parties)	940,830	940,830	940,830	-	-
Other payables (including related parties)	2,682,332	2,682,332	2,682,332	-	-
Long-term borrowings (including current portion)	6,093,531	6,595,308	178,201	6,417,107	-
Lease liabilities—current and non- current	36,378	37,396	16,434	20,962	-
	<u>\$ 9,813,071</u>	<u>10,315,930</u>	<u>3,877,861</u>	<u>6,438,069</u>	<u>-</u>

The Company 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 Company 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 Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), 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.

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To manage risks within an acceptable level, the Company 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.

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

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 170,456	31.13	5,306,088	107,571	30.79	3,312,087
EUR	18,422	34.35	632,840	8,039	32.67	262,620
<u>Non-monetary items</u>						
USD	251,360	31.13	7,824,540	181,730	30.79	5,595,986
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	53,862	31.13	1,676,663	97,950	30.79	3,015,871
EUR	3,943	34.35	135,465	6,402	32.67	209,138

A weakening or strengthening of 5% of the NTD against the USD and EUR for the years ended December 31, 2023 and 2022, with all other variable factors remaining constant, would have increased or decreased the income before income tax by \$206,340 and \$17,485, respectively.

With varieties of functional currencies within the Company, the information on foreign exchange gain or loss on monetary items was disclosed based on the total amount. For the years ended December 31, 2023 and 2022, the foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$110,921 and \$(126,980), respectively.

(b) Interest rate risk

The Company's exposure to interest rate risk arises mainly from outstanding bank 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 Company's income before income tax would have decreased or increased by \$3,975 and \$2,466 for the years ended December 31, 2023 and 2022, respectively.

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D. Fair value of financial instruments

The Company 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 Company considers the carrying amounts of financial instruments, including cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), 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 Company's financial instruments measured at fair value on a recurring basis:

		December 31, 2023				
		Book	Fair Value			
		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>	<u>2,584,701</u>
		December 31, 2022				
		Book	Fair Value			
		Value	Level 1	Level 2	Level 3	Total
Financial asset at FVTPL						
	Foreign unlisted stock	<u>\$ 1,869,650</u>	<u>-</u>	<u>-</u>	<u>1,869,650</u>	<u>1,869,650</u>

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

The Company'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, 2023 and 2022, and the valuation techniques have not changed.

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(c) Reconciliation of Level 3 fair values

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

In 2022, the Company acquired financial asset at FVTPL of amount \$1,582,842 and the changes of fair values \$286,808 were recognized in profit or loss.

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

The Company'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:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial asset at FVTPL—non-current	Binomial Trees model method	<ul style="list-style-type: none"> · Duration (0.93 years and 1.923 years at Dec 31, 2023 and 2022, respectively.) · Estimated stock price (USD900.56 and USD1,221.91 at Dec 31, 2023 and 2022, respectively.) · Discount rate (28% and 32% at Dec 31, 2023 and 2022, respectively.) 	<ul style="list-style-type: none"> · 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.

(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, 2023 and December 31, 2022, the impact on the fair value of financial asset at FVTPL would be as follows:

	<u>Impact on income statement</u>	
	<u>Increased</u>	<u>Decreased</u>
Balance at December 31, 2023		
Discount rate (5.00% movement)	\$ <u><u>(241,288)</u></u>	<u><u>926,304</u></u>
Balance at December 31, 2022		
Discount rate (5.00% movement)	\$ <u><u>(219,397)</u></u>	<u><u>642,786</u></u>

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(22) Capital management

The Company manages its capital to ensure that entities in the Company 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 Company's capital structure management, the Company sets its suitable market share according to its industry scale, the growth of the industry and the blueprint of the product development. The Company estimates the required capacity, the equipment and related capital expenditure to be used. Then the Company calculates working capital and cash on the basis of the industry character to support a complete plan for its long-term development. Finally, the Company 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.

(23) Financing activities not affecting current cash flow

The Company'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(7).

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

	January 1, 2023	Cash flow	Others	December 31, 2023
Short-term borrowings	\$ 60,000	450,000	-	510,000
Long-term borrowings (include current portion)	6,093,531	2,562,788	88,281	8,744,600
Lease liabilities	36,378	(23,646)	38,921	51,653
Total liabilities from financing activities	<u>\$ 6,189,909</u>	<u>2,989,142</u>	<u>127,202</u>	<u>9,306,253</u>
	January 1, 2022	Cash flow	Others	December 31, 2022
Short-term borrowings	\$ 610,000	(550,000)	-	60,000
Long-term borrowings (include current portion)	1,541,275	4,517,226	35,030	6,093,531
Other payables — related parties	554,939	(558,274)	3,335	-
Lease liabilities	31,976	(20,668)	25,070	36,378
Total liabilities from financing activities	<u>\$ 2,738,190</u>	<u>3,388,284</u>	<u>63,435</u>	<u>6,189,909</u>

7. Related-party transactions

(1) Parent company and ultimate controlling party

The Company's parent company is Alvogen EMH, intermediate holding company is Aztiq II BidCo Limited, and the ultimate controlling party is PTT; please refer to note 1.

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(2) Name and relationship with related parties

The following is a summary of the Company's subsidiaries and other related parties that have had transactions with the Company during the periods covered in the parent-company-only financial statements:

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Alvogen EMH	Parent company
Alvogen Korea Holdings Ltd. (“Alvogen Korea Holdings”)	Subsidiary
Alvogen Pharma India Pvt Ltd. (“Alvogen India”)	Subsidiary
Lotus International Pte. Ltd.	Subsidiary
Lotus Japan Holdings Co., Ltd.	Subsidiary
Avos Pharma Science Co., Ltd.	Subsidiary
Lotus Pharmaceutical, HK Ltd.	Subsidiary
Alvogen (Thailand) Ltd.	Subsidiary
Alvogen Korea Co., Ltd. (“Alvogen Korea”)	Indirectly owned Subsidiary
Norwich Clinical Services Private Limited (“NCS”)	Indirectly owned Subsidiary
Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited	Indirectly owned Subsidiary
Lotus Support Services SRL	Indirectly owned Subsidiary
Lotus Alvogen Malta Ltd.	Indirectly owned Subsidiary
Lotus Healthcare Malaysia Sdn. Bhd.	Indirectly owned Subsidiary
Lotus Healthcare Philippines Corp.	Indirectly owned Subsidiary
Lotus Pharma Bulgaria EOOD	Indirectly owned Subsidiary
Lotus Pharma ehf.	Indirectly owned Subsidiary
Meishi Pharma Services Private Limited	Indirectly owned Subsidiary
Meishi Pharma Service Pte. Ltd.	Indirectly owned Subsidiary
Innobic (Asia) Co., Ltd.	Other related party
Adalvo Limited	Other related party
Alvogen Holding (Thailand) Ltd.	Other related party
Alvogen Iceland ehf.	Other related party (Note 1)
Alvogen Inc.	Other related party (Note 2)
Alvogen Malta Shared Services Ltd.	Other related party
Alvogen PB Research & Development LLC (“Alvogen PB R&D”)	Other related party (Note 2)
AZTIQ Consulting ehf.	Other related party
Fuji Pharma Co., Ltd.	Other related party (Note 3)
New Alvogen Group Holding Inc. (“NAGH”)	Other related party (Note 2)
Norwich Pharmaceuticals, Inc.	Other related party (Note 2)

Note 1: Due to organizational structure change as described in note 1, the company ceased to be a related party to the Company effective from April 2022.

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Note 2: Despite the organizational structure change as described in note 1, the company continues to be a related party to the Company due to the Company's investment in NAGH, the parent company of Alvogen group of companies in the United States, which controls, among others, Alvogen Inc., Alvogen PB R&D and Norwich Pharmaceuticals, Inc.; see notes 6(2) and 7(3)F.

Note 3: .The company ceased to be a related party to the Company effective from July 2023.

(3) Significant transactions with related parties

A. Sales

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

	For the years ended December 31,	
	2023	2022
Alvogen Inc.	\$ 6,789,699	5,859,828
Adalvo Limited	975,992	1,184,372
Subsidiary	19,529	13,597
Indirectly owned Subsidiary	4,192	-
	\$ 7,789,412	7,057,797

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.

B. Purchases

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

	For the years ended December 31,	
	2023	2022
Lotus International Pte. Ltd.	\$ 565,237	561,176
Indirectly owned Subsidiary	11,363	-
	\$ 576,600	561,176

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

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

C. Receivables from related parties

<u>Accounts</u>	<u>Name of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable—related parties	Alvogen Inc.	\$ 4,144,237	2,724,490
	Adalvo Limited	446,031	289,702
	Subsidiaries	15,927	13,036
		<u>\$ 4,606,195</u>	<u>3,027,228</u>
<u>Accounts</u>	<u>Name of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables—related parties	Alvogen PB R&D	\$ 100,629	90,835
	Adalvo Limited	34,087	4,244
	Alvogen Korea	18,364	6,970
	Alvogen Inc.	17,642	-
	Subsidiaries	2,340	1,316
	Indirectly owned Subsidiary	218	-
		<u>\$ 173,280</u>	<u>103,365</u>

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

D. Payables to related parties

<u>Accounts</u>	<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable—related parties	Lotus International Pte. Ltd.	\$ 60,864	179,067
	Alvogen Inc.	45,693	82,267
	Alvogen Korea Co.,Ltd.	10,981	-
	NCS	9,653	9,089
	Subsidiaries	2,523	-
		<u>\$ 129,714</u>	<u>270,423</u>
Other payables—related parties	Lotus International Pte. Ltd.	\$ 100,108	8,341
	Alvogen Inc.	97,395	117,291
	Adalvo Limited	55,934	144,184
	Alvogen PB R&D	21,065	23,504
	Alvogen EMH	2,104	2,127
	Subsidiaries	447	4,007
	Indirectly owned Subsidiary	605	-
	Other related parties	671	348
	<u>\$ 278,329</u>	<u>299,802</u>	

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

E. Acquisition of financial assets

The financial assets were summarized as follows:

Names of related parties	Accounts	For the year ended December 31, 2022		
		Number of shares (in thousands)	Marketable security type	Acquisition price
NAGH	FVTPL – non-current	<u>55</u>	Preferred shares	<u>\$ 1,582,842</u>

In 2022, the Company made a strategic investment in the preferred shares issued by the parent company of the Alvogen group of companies in the United States, with first investment made to Alvogen Pharma Limited, the shares of which were later transferred to NAGH, a newly incorporated parent company following a reorganization completed by the Alvogen Group during the year, and second investment directly to NAGH. Through the investment, the Company appointed one director to the Board of Directors in NAGH; thus, management assessed that NAGH and its subsidiaries are related parties of the Company; refer to note 7(2).

F. Borrowings from related parties

The following tables provide information about borrowing from related parties, which were included in other payables – related parties (amounts in thousands of New Taiwan Dollars and U.S. Dollars):

Names of related parties	For the year ended December 31, 2022				
	Highest balance	Ending balance	Interest rate	Interest Expenses	Interest payables
Alvogen EMH	<u>\$ 594,144</u> (USD 20,000)	<u>-</u>	<u>1.0%</u> (Note)	<u>4,170</u>	<u>-</u>

Note: The interest rate is fixed 1% per annum.

G. Others

(a)

Accounts	Names of related parties	For the years ended December 31,	
		2023	2022
Capitalization of development expenses	Alvogen PB R&D	\$ 6,298	23,661
	Adalvo Limited	7,613	7,932
	NCS	21,313	13,932
	Subsidiaries	(367)	13,472
		<u>\$ 34,857</u>	<u>58,997</u>

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

<u>Accounts</u>	<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
		<u>2023</u>	<u>2022</u>
Cost of sales	Subsidiaries	\$ 16,737	20,623
	Other related parties	<u>165,911</u>	<u>151,775</u>
		\$ 182,648	172,398
Operating expense	Subsidiaries	\$ 98,253	18,856
	Indirectly owned subsidiaries	(13,975)	(12,207)
	Parent company	11,299	5,425
	Other related parties	<u>121,834</u>	<u>84,755</u>
		\$ 217,411	96,829
Other income	Adalvo Limited	\$ 4,510	10,769
	Alvogen Inc.	17,569	-
	Subsidiaries	46	46
	Indirectly owned subsidiaries	<u>93</u>	<u>75</u>
		\$ 22,218	10,890
Reimbursed income for development costs recognized as an offset to research and development expense	Alvogen PB R&D	<u>\$ (22,126)</u>	<u>(92,677)</u>

(b)

<u>Accounts</u>	<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract assets — current	Adalvo Limited	\$ 100,185	133,479
	Alvogen Inc.	<u>24,051</u>	<u>120,195</u>
		\$ 124,236	253,674

(c)

<u>Accounts</u>	<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract liabilities — current	Adalvo Limited	\$ 87,392	94,367
	Fuji Pharma Co., Ltd.	<u>-</u>	<u>46,189</u>
		\$ 87,392	140,556

(4) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 77,399	123,623
Share-based payments	<u>68,396</u>	<u>21,705</u>
	\$ 145,795	145,328

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

8. Assets pledged as security

The carrying amounts of pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank demand deposits (classified as other current assets)	Compensation balances	\$ 15,000	9,000
Land	Long-term borrowings	261,192	261,192
Buildings and plant equipment	Long-term borrowings	<u>1,043,311</u>	<u>585,844</u>
		<u>\$ 1,319,503</u>	<u>856,036</u>

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

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, 2023.
- (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.
- (3) The patent infringement lawsuit initiated by Indivior Inc., Indivior UK Ltd., and Adquestive Therapeutics Inc. ("Plaintiffs") against Alvogen Inc. ("Defendant") was dismissed by the USA District Court for District of New Jersey; the dismissal of the Plaintiffs lawsuit will have no negative impact on the Company's business or results of operations.

10. Losses due to major disasters: None.

11. Subsequent events: None.

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

12. Other

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

By item	By function	For the years ended December 31,					
		2023			2022		
		Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Employee benefits							
Salary		278,344	434,960	713,304	273,781	391,549	665,330
Labor and health insurance		23,903	27,415	51,318	21,128	22,747	43,875
Pension		10,783	12,718	23,501	9,726	10,711	20,437
Board compensation		-	16,781	16,781	-	9,323	9,323
Others		15,395	130,993	146,388	13,171	58,005	71,176
Depreciation		88,857	43,169	132,026	79,979	39,560	119,539
Amortization		5,361	712,608	717,969	5,637	476,767	482,404

	<u>2023</u>	<u>2022</u>
The average number of employees	<u>669</u>	<u>605</u>
Directors not concurrently employee number	<u>11</u>	<u>7</u>
The average of employee benefits	<u>\$ 1,420</u>	<u>1,339</u>
The average of salaries	<u>\$ 1,084</u>	<u>1,113</u>
The average of salary adjust rate	<u>-3%</u>	
Supervisor's remuneration (Note)	<u>\$ -</u>	<u>-</u>

Note : The Company established the Audit Committee to replace supervisors on April 23, 2015; therefore, there is no remuneration to supervisors.

The remuneration policies for directors, managerial officers, and employees are as follows:

- (1) Except independent directors and directors who hold concurrent posts as employees or officers, the Remuneration Committee periodically assesses and sets the compensation of directors based on their individual assessment results of performance indicators.
- (2) The Company shall pay remuneration to independent directors based on the involvement and contribution to the Company's operations.
- (3) The Remuneration Committee periodically evaluates the Company policy regarding compensation and benefits, as well as the compensation of managerial officers.
- (4) The compensation of managerial officers is based on individual responsibility, experience and ability and shall take into account the general pay level. In addition, the Remuneration Committee evaluates and determines the compensation of bonuses based on the Company's earnings, individual performance, and the Company's future risk exposure.
- (5) The compensation of employees is based on individual responsibility, contribution, and performance. Compensation includes fixed salary, incentive bonus based on performance, project bonus and performance bonus, etc.

Lotus Pharmaceutical Co., Ltd.
Notes to the Financial Statements

13. Other disclosures

(1) Information on significant transactions:

The following is the information on significant transactions required by the Regulations for the Company for the year ended December 31, 2023:

- A. Loans to other parties: None.
- B. Guarantees and endorsements for other parties: Please refer to Table 1.
- C. Securities held as of December 31, 2023 (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.

(2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 6.

(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 7.
- B. Limitation on investment in Mainland China: Please refer to Table 7.
- C. Significant transactions: None.

(4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Alvogen EMH		108,968,519	41.20 %
Innobic LL Holding Company Limited		17,517,348	6.62 %

14. Segment information

Please refer to consolidated financial statements for the years ended December 31, 2023 and 2022.

Lotus Pharmaceutical Co., Ltd.
Guarantees and endorsements for other parties
For the year ended December 31, 2023

Table 1

(Amounts in Thousands)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance (Note 4)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Lotus International Pte. Ltd.	The Company	3	9,016,380	5,000,000	-	-	-	-	9,016,380	N	Y	N

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: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50 % of the voting shares in the company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. For entities who are guaranteed and endorsed by all capital contributing shareholders in proportion to each of their shareholder's percentage.
7. Performance guarantee in which entities within the same industry provide among themselves joint and several securities by entering into sales agreement with each other for pre-construction project pursuant to Consumer Protection Act.

Note 3: It was according to 480% of the Lotus International Pte. Ltd.'s audited net equity as of the latest period.

Note 4: This endorsement guarantees were simultaneously discharged upon the Company's repayment of the loan on May 29, 2023.

Lotus Pharmaceutical Co., Ltd.

Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures)

December 31, 2023

Table 2

(Shares in Thousands/ Amounts in Thousands)

Company Names	Marketable Securities Types and Names	Relationship with the Company	Financial Statement Accounts	Ending Balance				Note
				Shares/Units	Carrying Amount	Percentages of Ownership	Fair Value	
The Company	International Green Solution, Inc.	-	FVTPL - non-current	2	-	0.07 %	-	
The Company	NAGH	Other related party	FVTPL - non-current	55	2,584,701	-	2,584,701	

Lotus Pharmaceutical Co., Ltd.

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, 2023

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 (Note)	Sales				Ending Balance		Note
					Shares	Amount	Shares	Amount		Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	
The Company	Lotus International Pte. Ltd.	Investments accounted for using equity method	-	Subsidiary	48,450	1,247,435	12,150	377,546	(10,418)	-	-	-	-	60,600	1,614,563	
The Company	Alvogen Korea Holdings Ltd.	Investments accounted for using equity method	-	Subsidiary	1,192	2,443,100	265	710,455	471,721	-	-	-	-	1,457	3,625,276	

Note: 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.

Lotus Pharmaceutical Co., Ltd.
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, 2023

Table 4

(Amounts in Thousands)

Company Names	Related Parties	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable		Note
			Purchase/Sales	Amounts	Percentages of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable	
The Company	Alvogen Inc.	Other related party	Sales	6,789,699	62.80%	90~180 days	-	-	4,144,237	75.37%	
The Company	Adalvo Limited	Other related party	Sales	975,992	9.03%	90 days	-	-	446,031	8.11%	

Lotus Pharmaceutical Co., Ltd.
Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20%
of the capital stock
December 31, 2023

Table 5

(Amounts in Thousands)

Company Names	Related Parties	Nature of Relationship	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period (Note)	Expected Credit Loss Allowance
					Amount	Action Taken		
The Company	Alvogen Inc.	Other related party	4,144,237	1.70	2,372,425	Expect to collect in the first quarter of next year	2,117,514	-
The Company	Adalvo Limited	Other related party	446,031	2.07	105,271	Expect to collect in the first quarter of next year	137,944	-

Note: As of March 11, 2024.

Lotus Pharmaceutical Co., Ltd.
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2023

Table 6

(Shares in Thousands)
(Amounts in Thousands)

Investor Companies	Investee Companies	Locations	Main Businesses and Products	Original Investment Amounts		Balance as of December 31, 2023			Net Income (Losses) of Investee	Investment Income (Losses) (Note 1)	Notes
				December 31, 2023	December 31, 2022	Shares	Percentages of Ownership	Carrying Amount (Note 1)			
The Company	Lotus International Pte. Ltd.	Singapore	Investment business and sale of medicine	1,873,694 (USD 60,600)	1,496,148 (USD 48,450)	60,600	100.00 %	1,614,563	6,723	(25,816)	
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 %	113	535	9	
The Company	Alvogen Korea Holdings	Korea	Investment business	4,858,270 (USD 157,029)	4,147,815 (USD 135,032)	1,457	100.00 %	3,625,276	310,988	503,672	Note 2
The Company	Alvogen India	India	Investment business	298,509 (USD 9,950)	298,509 (USD 9,950)	512	100.00 %	173,710	20,509	21,169	Note 2
The Company	Lotus Japan Holdings Co., Ltd.	Japan	Sale of medicine, clinical machine retail	623,647	623,647	-	100.00 %	482,927	8,192	8,192	
The Company	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	3,859 (USD 131)	3,859 (USD 131)	40	2.52 %	(17,862)	(12,318)	(11,896)	
The Company	Avos Pharma Science Co., Ltd.	Taiwan	Biotech technological consulting services, clinical machine retail and related consulting services	100	100	-	100.00 %	316	70	70	
Lotus International Pte. Ltd.	Lotus Support Services SRL	Romania	Pharmaceutical regulatory affairs project management services	3,010	3,010	44	100.00 %	10,330	2,791	2,791	
Lotus International Pte. Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	142,237 (USD 4,655)	94,544 (USD 3,154)	1,530	97.45 %	69,629	(12,318)	(29,637)	
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 %	3,641	3,117	3,117	

Investor Companies	Investee Companies	Locations	Main Businesses and Products	Original Investment Amounts		Balance as of December 31, 2023			Net Income (Losses) of Investee	Investment Income (Losses) (Note 1)	Notes
				December 31, 2023	December 31, 2022	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 %	7,711	535	527	
Lotus International Pte. Ltd.	Lotus Healthcare Malaysia Sdn. Bhd.	Malaysia	Marketing activities and healthcare consultancy	7 (MYR 1)	7 (MYR 1)	1	100.00 %	169	235	235	
Lotus International Pte. Ltd.	Lotus Healthcare Philippines Corp.	Philippines	Marketing activities and healthcare consultancy	59,763 (PHP 106,658)	5,332 (PHP 9,590)	106,658	100.00 %	39,621	(19,405)	(20,890)	
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 %	12,973	2,148	2,148	
Lotus International Pte. Ltd.	Lotus Pharma ehf.	Iceland	Marketing activities and healthcare consultancy	106 (ISK 500)	106 (ISK 500)	500	100.00 %	1,561	429	429	
Lotus International Pte. Ltd.	Meishi Pharma Services Private Limited	India	Management consultancy service	37 (INR 100)	37 (INR 100)	10	100.00 %	(8,541)	(8,775)	(8,775)	
Lotus International Pte. Ltd.	Meishi Pharma Service Pte. Ltd.	Singapore	Management consultancy service	-	-	-	100.00 %	(88)	(86)	(86)	
Lotus Pharmaceutical, HK Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	30 (USD 1)	30 (USD 1)	-	0.03 %	29	(12,318)	(5)	

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

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

Lotus Pharmaceutical Co., Ltd.
Information on investment in Mainland China
For the year ended December 31, 2023

Table 7

(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income of the Investee	Percentages of Ownership	Investment Income	Carrying Amount	Accumulated Inward Remittance of Earnings as of December 31, 2023
					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	377	100.00%	377	(2,386)	-
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, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
21,011	21,011	10,400,181

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.

Lotus Pharmaceutical Co., Ltd.

Chairman: Vilhelm Róbert Wessman